CLERK'S COPY.

P. N. 163

TRANSCRIPT OF RECORD

537028

Supreme Court of the United States

OCTOBER TERM, 1942

No. 707

BENJAMIN W. FREEMAN, PETITIONER,

vs.

BEE MACHINE COMPANY, INC.

ON WRIT OF CERTIORARI TO THE UNITED STATES CIRCUIT COURT OF APPEALS FOR THE FIRST CIRCUIT

PETITION FOR CERTIORARI FILED FEBRUARY 4, 1943.

CERTIORARI GRANTED MARCH 15, 1943.

SUPREME COURT OF THE UNITED STATES

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INDEX.

JUDD & DETWEILER (INC.), PRINTERS, WASHINGTON, D. C., MARCH 26, 1943.

—5316

[fol. 1]

UNITED STATES CIRCUIT COURT OF APPEALS FOR THE FIRST CIRCUIT

October Term, 1941

No. 3781

Bee Machine Co., Inc., Plaintiff, Appellant,

v.

Benjamin W. Freeman, Defendant, Appellee

Transcript of Record of District Court

(Filed in Circuit Court of Appeals May 19, 1942)

No. 1224, Civil Action

Bee Machine Co., Inc., Plaintiff,

v.

Benjamin W. Freeman, Defendant

This cause was begun in the Superior Court for the County of Essex and Commonwealth of Massachusetts and was thence removed by the defendant to this District Court and duly entered at the March Term of this Court, A. D. 1941, and is in words and figures following:

Record of State Court

(Filed in District Court April 17, 1941)

[fol. 2] In Superior Court of Essex County

Writ of Attachment and Return

Commonwealth of Massachusetts

Essex, ss:

To the Sheriffs of our Civil Counties or their Deputies, Greeting:

We Command You to attach the goods or estate of Benjamin W. Freeman commorant of Boston, Suffolk County, Massachusetts, to the value of Two Hundred and Fifty Thousand dollars, and summon the said defendant (if he may be found in your precinct) to appear before

our Justices of our Superior Court, at Salem, within our said County of Essex, on the first Monday of March next, then and there in our said Court, to answer unto Bee Machine Co., Inc., a Massachusetts corporation duly organized by law and having a usual place of business in Lynn, Essex County, Massachusetts, in an action of contract.

To the damage of the said plaintiff (as it says) the sum of Two hundred and Fifty Thousand dollars, which shall then and there be made to appear with other due damages. And have you there this writ with your doings therein.

Witness, John P. Higgins, Esquire, at Salem, the third day of Feb. in the year of our Lord One Thousand Nine Hundred and forty-one.

A. N. Frost, Clerk.

[fol. 3] Boston, Feb. 4, 1941.

SUFFOLK, ss:

By virtue of this Writ, I this day attached a chip as the property of the within named Benjamin W. Freeman and afterwards on the same day I summoned said defendant to appear and answer at Court as within directed by delivering in hand to him a summons of this writ,

Fees: Service $1.00
Travel 1.70

$2.70

Thomas J. Hynes, Deputy Sheriff.

70276

BEE MACHINE CO., INC.,

versus

BENJAMIN W. FREEMAN

Returnable —— —, 19—.
Judgment —— —, 19—, for ——.
Damage, $——
Costs, $——

Execution —— —, 19—.
The plaintiff hereby claims a trial by jury.

James W. Sullivan, Attorney for Plaintiff, from the Office of James W. Sullivan, 23 Central Avenue, Lynn.

[fol. 4] Plaintiff's Costs

Writ and Declaration		55
Service		
Entry	3	
Attorneys fee		
Travel — miles		
Term — fee		
Subpoenas and service		
Witnesses		
Motion for new trial		
	—	—
	=	=

Defendant's Costs

Attorneys fee		
Travel — miles		
Term — fee		
Subpoenas and service		
Witnesses		
Motion for new trial		
	—	—
	=	=

Tried —— —, 19—.
Before ——, J., and a jury.
Stenographer ——.

— —

[fol. 5] In Superior Court of Essex County, Massachusetts

70276

Bee Machine Co., Inc.,

v.

Benjamin W. Freeman

U. S. District Court Civil Action File 1224

Plaintiff's Declaration

The plaintiff says that on November 29th, 1933 the defendant in consideration of a substantial sum of money paid by the plaintiff entered into a written agreement with the

plaintiff by the terms of which written agreement the defendant licensed the plaintiff to make at the plaintiff's factory in Lynn, Massachusetts, or in any other factories that might be established by the plaintiff in the New England States or in New York State, and sell certain dies, anvils and masks, the manufacture and sale of which the defendant claimed were controlled and covered by certain U. S. Letters Patent, described in said instrument of license as having been issued to the defendant or under which he claimed the right to license; that as further consideration for the granting of said license the plaintiff in said agreement agreed to pay the defendant a license fee in the amount stated in said license upon all articles made and sold by the [fol. 6] plaintiff under the terms of said license, in the territory stated in said agreement, the New England States and State of New York.

The plaintiff further says that the said dies, anvils and masks which it was licensed to make and sell by the said instrument of license above described were made and sold for use in connection with certain machinery manufactured by the defendant and others and that the defendant expressly agreed with the plaintiff in said instrument of license as follows:

"12. Licensor agrees that if — the future he should develop or acquire improvements in the dies, anvils and masks the license herein of the licensee shall have the right subject to the conditions of this license to use the same without additional royalty."

And the plaintiff says that thereafter the defendant did develop and acquire improvements in the dies, anvils and masks licensed by said instrument, and in a machine or machines made and sold by the defendant for use in connection with dies, anvils and masks, and the plaintiff by the terms of said instrument became entitled to manufacture and sell said improvements under the terms of the said license instrument, but the defendant refused to permit the plaintiff to manufacture said improvements, and failed and refused to furnish and deliver to the plaintiff the indispensable and [fol. 7] necesasry drawings and model parts required for the manufacture of the said improvements.

The plaintiff further says that the defendant facilitated and encouraged the manufacture of said improvements by

all licensees of the defendant in the territory in the New England States and New York State, and actively asserted and claimed to the trade and to customers of the plaintiff that the plaintiff was not licensed to make and sell said improvements, and that persons who might purchase said improvements from the plaintiff should the plaintiff attempt to make the same would be subjected to litigation to be instituted by the defendant and to damages payable to the defendant.

And the plaintiff says that by entering the said agreement the defendant became bound to exercise any and all rights possessed by the defendant under said patents or otherwise to assist and permit the plaintiff to secure the full enjoyment and benefits of the said license agreement, and also the defendant became bound to take no action which would result in diminishing or impairing the value of the rights or privileges granted to the plaintiff under the said license; but in violation of his said duty and agreement the defendant entirely failed and refused, and still fails and refuses, to take any action whatever to restrict or prevent the manu- [fol. 8] facture and sale of the said dies, improvements and appliances described in said license by manufacturers in the said territory of the plaintiff having no right or license to manufacture and sell the said articles in competition with the plaintiff and in violation of the defendant's claimed patent rights.

The plaintiff further says that the defendant in granting of licenses similar to the one herein described to other manufacturers in said territory intentionally limited the right to sell said articles to certain firms and purchasers thereof named in said license grants, and in violation of his said agreement with the plaintiff and for the purposes of diminishing and destroying the benefits to which the plaintiff was entitled under its license agreement with the defendant, the defendant granted to such other licensees the right to sell the said product to customers of the plaintiff, named in said licenses, but not to customers of the other licensees of the plaintiff.

And the plaintiff further says that by these and other wrongful actions the defendant has during the six years last past continuously and persistently violated and refused to perform the express and implied terms of the said instrument of license, and has intentionally taken all actions possible to diminish and destroy the value of the said contract

to the plaintiff, who has in all things performed all obliga-
[fol. 9] tions by it undertaken in the said instrument, and as a result of said breach of his said agreement the defendant has substantially and seriously diminished and destroyed the value to the plaintiff of the rights and privileges to which it became entitled under the said instrument of lease, and has substantially and seriously damaged the general business of the plaintiff depending upon and connected with the said rights and privileges, in the extent stated in the plaintiff's writ herein.

By its Attorney James W. Sullivan.

In Superior Court of Essex County

Special Appearance of Defendant--Filed March 24, 1941

I hereby enter the appearance of the defendant in the above entitled cause, and myself as his attorney, limited to the purpose of presenting a Petition for Removal of said cause to the United States District Court for the District of Massachusetts.

Nathan Heard, Attorney for Defendant, 77 Franklin Street, Boston, Massachusetts.

[File endorsement omitted.]

[fol. 10] In Superior Court of Essex County

Notice of Petition for Removal

James W. Sullivan, Esq., Attorney for Plaintiff, Security Trust Building, Lynn, Mass.

You and the plaintiff in the above entitled action will please take notice that the defendant will, on Monday, March 24, 1941, at ten o'clock in the forenoon, file in the office of the Clerk of the Superior Court for the Commonwealth of Massachusetts for the County of Essex in which said action is now pending, his petition and bond for the removal of said action from said court to the District Court of the United States for the District of Massachusetts and at the same time, or as soon thereafter as counsel may be

heard, said petition and bond will be presented for disposition to said court at Salem in which this action is pending at the jury waive session thereof, and the defendant will move for an order granting said petition for removing the above entitled action to said District Court.

Copies of said petition and bond are served herewith.

Nathan Heard, Attorney for defendant.

Service of the foregoing notice of petition for removal and receipt of copies of said petition and bond is hereby acknowledged this — day of March, 1941.

—— ——, Attorney for Plaintiff.

[fol. 11] In Superior Court of Essex County

Petition for Removal of Cause to United States District Court for the District of Massachusetts

To the Superior Court of the State of Massachusetts for the County of Essex:

The petition of Benjamin W. Freeman, defendant in the above entitled cause, respectfully shows to this Court:

1) The above entitled suit has been brought in this Court and is now pending therein.

2) Said action is of a civil nature at law or in equity for the breach of a written contract of license of manufactured article.

3) The above entitled action involves a controversy which is wholly between citizens of the different states in that Bee Machine Co. Inc., the plaintiff in the above entitled cause, was at the time of the commencement of said suit in this Court, and ever since then, and at the present time, was and is a corporation organized and existing under and by virtue of the laws of the State of Massachusetts, and was and is a citizen of the State of Massachusetts, having its principal place of business at Lynn, in the County of Essex, in said State, and that your petitioner, Benjamin W. Freeman, the defendant in the said suit, was, at the time of the commencement of said suit, and still is, a citizen of the State of Ohio, residing at Cincinnati, in said State, and not a resident [fol. 12] of the State of Massachusetts.

4) Said action is one of which the District Courts of the United States are given original jurisdiction.

5) The time within which your petitioner is required by the laws of this State and the Rules of this Court to answer or plead to the Declaration in the above entitled action has not yet expired.

6) The value of the matter in controversy in said action exceeds $3000.00 exclusive of interest and costs, as appears from the allegations of plaintiff's Declaration, Writ, and Motion to Reduce Ad Damnum.

7) Petitioner presents herewith a bond with good and sufficient surety conditioned that he will enter in the District Court of the United States for the District of Massachusetts, within thirty days from the date of filing of this petition, a certified copy of the record in this suit, and that he will pay all costs that may be awarded by the said District Court in case the said Court shall hold this suit was wrongfully or improperly removed thereto.

8) Prior to the filing of this petition, and of said bond for the removal of this cause, written notice of intention to file the same was given by petitioner to the plaintiff as required by law, a true copy of which with proof of the service of the same is attached hereto.

Wherefore, your petitioner prays that this Court proceed [fols. 13-14] no further herein except to make an order of removal as required by law, and to accept said surety and bond, and to cause the record herein to be removed into said District Court of the United States within and for the District of Massachusetts, of the State of Massachusetts, according to the Statute in such cases made and provided.

Benjamin W. Freeman, Petitioner.

Duly sworn to by Benjamin W. Freeman. Jurat omitted in printing.

[fol. 15] Bond on Removal for $500.00 omitted in printing.

[fol. 16] In Superior Court of Essex County

Affidavit of C. Yardley Chittick—March 21, 1941

State of Massachusetts,
County of Suffolk, ss:

C. Yardley Chittick of Waban, Massachusetts, being duly sworn, deposes and says that he served upon James W. Sullivan, Esq., Attorney for the Plaintiff herein, at his office in Security Trust Building, Lynn, Massachusetts, the foregoing Notice, Petition, and Bond, by personally delivering to the said Sullivan on Friday, March 21, 1941, at about 8:30 A. M., true and accurate copies thereof.

C. Yardley Chittick.

Subscribed and sworn to before me, a Notary Public, this 21st day of March, 1941. Thomas J. Drummond, Notary Pubiic. (Seal.)

In Superior Court Essex County

Order of Remcval—March 26, 1941

Mar. 26, 1941.

Broadjurst, J.:

Petition and bond accepted, and ordered that the Court proceed no further in this suit.

Hollis L. Cameron, Asst. Clerk.

[fol. 17] In Superior Court of Essex County

Plaintiff's Motion to Reduce Ad Damnum and Order Thereon—March 26, 1941

The plaintiff in the above entitled action moves to strike out of the ad damnum the words "Two Hundred and" so that as amended said ad damnum will read "Fifty Thousand".

By Its Attorney, James W. Sullivan.

Broadhurst, J. March 26, 1941. Motion allowed.

Hollis L. Cameron, Asst. Clerk.

Clerk's Certificate to foregoing papers omitted in printing.

[fol. 18] IN THE UNITED STATES DISTRICT COURT FOR THE DISTRICT OF MASSACHUSETTS

Civil Action. No. 1224

BEE MACHINE CO. INC., Plaintiff,

v.

BENJAMIN W. FREEMAN, Defendant

ANSWER

Now comes the defendant, Benjamin W. Freeman, and for the answer to the plaintiff's declaration, removed to this Court from the Essex County Superior Court Commonwealth of Massachusetts, doth say:

1) that all the issues set forth in said Declaration are res adjudicata having been heretofore determined adversely to the plaintiff herein by a final judgment entered October 10, 1939, by the U. S. District Court of Southern District of Ohio, Western Division, in the case of Bee Machine Co. vs. Benjamin W. Freeman et al. in Equity No. 1020, wherein the said Court had jurisdiction and the parties hereto were as here respectively plaintiff and defendant, which judgment is final and conclusive upon the matters and things set forth in the Declaration herein.

2) Further answering under protest that all matters herein are res adjudicata, the defendant admits that it entered into a written contract with plaintiff as alleged, but [fol. 19] denies that any sum of money was paid to him as a consideration for entering into such written contract, admits that said contract was a license to plaintiff to manufacture certain dies patented to the defendant, within the territory alleged by the plaintiff, same having been limited as to New York State, however, to take effect at a later date than the date alleged by the plaintiff, admits that the plaintiff agreed to pay a license fee as set forth in plaintiff's declaration and says that the licensee's fees were to apply to all dies made under the license by the plaintiff, which license was limited as to territory as set forth in the declaration of the plaintiff. Except as herein admitted the allegations of paragraph 1 of plaintiff's declaration are denied.

Defendant admits the allegations of the first sentence of the second paragraph of the declaration of the plaintiff. Defendant denies all of the allegations set forth in the second sentence following the quotation of Clause 12 of the aforementioned written contract constituting the first full paragraph on page 2 of plaintiff's declaration.

Defendant denies the allegations set forth in the second full paragraph of page 2 of the plaintiff's declaration.

Defendant denies the allegations set forth in the third paragraph on the bottom of page 2 and top of page 3 of plaintiff's declaration.

[fol. 20] Defendant denies the allegations set forth in the first full paragraph on page 3 of the plaintiff's declaration.

Defendant denies the allegations set forth in the paragraph beginning at the bottom of page 3 and ending on page 4 of the plaintiff's declaration.

3) Further answering and still under protest, the defendant says that on or about September 25, 1936, the defendant did, pursuant to the right given him in the contract referred to in the plaintiff's declaration, send a first notice of cancellation of the same to the plaintiff, said notice being based on the refusal of the plaintiff to pay the royalties or license fees required by the said contract and plaintiff's insistence upon paying such royalties or fees on a basis which was not in accordance with the said contract, and that on or about May 13, 1937, a second final notice of cancellation of said contract was sent to the plaintiff by the defendant in accordance with the said contract finally terminating the same, and that the plaintiff has never tendered to the defendant any royalties whatever from June 1936 to the date of this answer and is understood to insist that it is required to pay only a very small fraction of the royalties set forth in the said contract as being payable to the defendant, except that it is now accounting by payments to the Clerk of the Southern District of Ohio, in order to supersede a preliminary [fol. 21] injunction granted to the defendant against the plaintiff on one of the patents in the said contract.

4) Defendant further says that the plaintiff has filed two suits with reference to the matters now brought before this Court for the third time,—the first being filed in Essex County, Commonwealth of Massachusetts, on November 17,

1936; the second being Cause No. 1020 in equity, in the Southern District of Ohio, as herein above set forth; that said suit in Essex County was dismissed on account of failure to serve the defendant herein, and that the suit in the Southern District of Ohio was determined in favor of the defendant herein, duly adjudicating each and every issue brought forward in the declaration to which this is an answer, and duly finding that the contract referred to in the plaintiff's declaration was properly cancelled in June, 1937, for breaches preceding June 1936, and ordering an accounting by the plaintiff.

5) That defendant has been greatly damaged by the necessity of defending itself in this cause, most wrongfully filed, and charges that said cause was filed against defendant solely for the purpose of harassing him and causing him expense, and that the use of legal process against him while he was in the District of this Court, whereby he was summoned to appear in this cause in the Essex Superior Court, as aforesaid, was wrongful and known to the plaintiff to be wrongful, whereby the defendant has been greatly [fol. 22] damaged, caused to expend large sums for attorney fees, costs and expenses in an amount which defendant estimates at $1000.00 to the present date, which sum should be repaid to defendant by plaintiff.

Defendant prays in accordance with the recitals in this answer, particularly Clause 5, as a counterclaim, that this Court do award to the defendant an amount to be determined by this Court representing the costs, expense and damage to the defendant arising out of the wrongful harassment and persecution of the defendant by the plaintiff therein alleged which sum be increased by the Court by an amount to be assessed by the Court as punitive damages to be paid to the defendant by the plaintiff.

Benjamin W. Freeman, by Allen & Allen, Attorneys,
706 Gwynne Building, Cincinnati, Ohio.

Of counsel: Marston Allen, Nathan Heard, 77 Franklin Street, Boston.

[fol. 23] IN UNITED STATES DISTRICT COURT

PLAINTIFF'S DEMAND FOR JURY TRIAL

Now comes the plaintiff in the above entitled action and demands a trial by jury.

By its attorney, James W. Sullivan, 23 Central Avenue, Lynn, Massachusetts.

IN UNITED STATES DISTRICT COURT

PLAINTIFF'S REPLICATION TO DEFENDANT'S ALLEGED "COUNTER CLAIM" IN PARAGRAPH 5 OF DEFENDANT'S ANSWER FILED HEREIN

The plaintiff answering the matter contained in paragraph 5 of the defendant's answer filed herein says that the matters in said paragraph 5 contained do not state any counterclaim or cause of action having a foundation in law; and further answering said paragraph 5 the plaintiff denies all the allegations in said paragraph 5 contained, as fully and specifically as if said allegations were separately set forth and separately denied.

Bee Machine Co. Inc., by its Attorney, James W. Sullivan.

[fol. 24] IN UNITED STATES DISTRICT COURT

MOTION FOR SUMMARY JUDGMENT—Filed May 15, 1941

Now comes the defendant, B. W. Freeman, and moves this Court for a Summary Judgment in his favor, dismissing the Declaration herein on the ground that the issue raised by the said declaration is Res Adjudicata as a result of a decree dated Oct. 7, 1939, in a cause by and between the parties to the present cause in Cause in Equity No. 1020, in the United States District Court for the Southern District of Ohio, which decree as to the issues raised by the Declaration herein was a final decree, and if it be found that said decree is not final as to the matters in dispute in the present cause, then summary judgment of dismissal should be granted on the ground that a suit is pending in the Southern District of Ohio, instituted by plaintiff herein, in

which the issues in the present cause are presented for judgment between the same parties as those to the present cause.

Filed with this motion is a certified copy of the pleadings and decree in the cause in Equity No. 1020 aforesaid. Also filed herewith and supported by affidavit of counsel, are copies of certain United States Letters Patent, referred to in the pleadings filed by the plaintiff, who was plaintiff in both the said cause and the present cause as follows:

[fol. 25] U. S. Letters Patent No. 1,681,033. Reissues thereof, Nos. 20,202 and 20,203. U. S. Letters Patent No. 1,886,554. Reissue thereof No. 20,206.

U. S. Letters Patent Nos. 1,990,592, 2,084,335, 1,990,597, 1,990,598, 1,990,595, 1,990,593, 1,990,594, 1,990,596, 1,990,599, 1,960,486.

Benjamin W. Freeman, by Allen & Allen, his Attorneys, 706 Gwynne Bldg., Cincinnati, Ohio.

Of Counsel: Marston Allen, Nathan Heard.

[fol. 26] Exhibit to Motion for Summary Judgment

United States District Court, Southern District of Ohio, Western Division

Equity No. 1020

Bee Machine Company, Plaintiff,

vs.

Benjamin W. Freeman and The Louis G. Freeman Company, Defendants

Bill of Complaint

Now comes the plaintiff, Bee Machine Company, and for its Bill of Complaint, states that:

1. The plaintiff, Bee Machine Company, is a corporation of Massachusetts, with its principal place of business in Lynn, County of Essex, in said state; the defendant, Benjamin W. Freeman, is a citizen of the State of Ohio, and a resident of Cincinnati, Ohio; and the defendant, The

Louis G. Freeman Company, is a corporation of Ohio, with its principal place of business in Cincinnati, Ohio.

2. This is a suit based upon a license agreement which was entered into between said Benjamin W. Freeman and the plaintiff, on November 29, 1933, and upon certain acts of the defendants directed toward terminating said license agreement and in publishing to the trade statements that [fol. 27] are likely to arouse the believe that plaintiff is not a licensee, and is brought for the purpose of having the defendants enjoined from terminating the license and from publishing the statements aforesaid. The jurisdiction of the Court is based upon diversity of citizenship of the parties and upon the fact that the amount in controversy, exclusive of interest and costs, exceeds the sum of three thousand dollars ($3,000.00).

3. On November 29, 1933, the plaintiff, and the defendant, Benjamin W. Freeman, executed an agreement which is herein referred to as a license contract, and a copy of which is hereto attached as Exhibit A.

4. The plaintiff has been conducting business continuously since the said November 29th, 1933, in all respects in accordance with the terms and provisions of said license.

5. The plaintiff until June, 1936, has paid all royalties in accordance with said License Contract. At that time, certain of the defendant's alleged U. S. Letters Patent became involved in litigation and was subsequently adjudicated as invalid. These invalid letters patent, which your plaintiff considered a valuable right was part and parcel together with Fifteen Thousand Dollars ($15,000.00) in cash paid by the plaintiff to the defendant as consideration for the License Contract executed by the plaintiff. Upon information and belief, the plaintiff avers that it has overpaid the [fol. 28] defendant by reason of said adjudication together with the fact that the plaintiff has been overpaying fifteen per cent. royalty as set out in schedule "A" by computing the percentage on an erroneous selling price, and that a fair interpretation of the License Contract would necessarily lead to the conclusion that the actual selling price from the plaintiff to its customers was lower than the selling price alleged by the defendant. The plaintiff upon information and belief avers that there was a substantial

failure of consideration furnished by the defendant to the plaintiff for the License Contract.

6. For the purpose of harassing the plaintiff into unwarranted concessions with respect to said claims and the amount thereof by attempting to create apprehension on the part of the plaintiff, that the plaintiff might lose its License aforesaid, the defendant without any justification whatever on or about the twenty-fifth day of September, 1936, addressed to the plaintiff a letter, a copy of which is hereto annexed and marked "B", which letter the plaintiff received on or about the 28th day of September, 1936.

7. Upon information and belief the plaintiff avers that it is the present purpose of the defendant without any justification to injure the business of the plaintiff by seeking to make it clear to the plaintiff and to other manufacturers, dealers, and users of dies, etc., that the plaintiff has ceased [fol. 29] to have a License and that dies, etc., manufactured and sold by the plaintiff are an unauthorized infringement of patents owned and controlled by the defendant and the defendant has threatened to do so.

8. The defendant unless enjoined by this Court will take steps and continue to put into effect this injury to the plaintiff and to bring about this belief, which is calculated to diminish and destroy the business of the plaintiff.

9. The plaintiff continues to be actively engaged in said manufacture of dies and is dependent upon the presentation and belief of its customers that its products may be bought and used without any danger of claims by the defendant for infringement.

10. It is the purpose of the defendant to follow up said notice as set forth in schedule "B" by giving notice and making claim to terminate said License and to make claim to others in the trade and elsewhere that the plaintiff no longer has said License and the defendant unless enjoined by this Court will carry out said purpose.

11. The plaintiff has otherwise fully performed all terms and conditions of said License and is not in default thereunder.

12. The payments of royalties already made by the plaintiff to the defendant far exceed in amounts any royalties

which the defendant might claim were due under the License Contract and the plaintiff is not now in default.

[fol. 30] 13. Upon information and belief, the plaintiff avers that the defendant has developed or acquired an improvement on dies to which your plaintiff claims it has the right to manufacture in accordance with the agreement set out under paragraph 12 of the License Contract. The plaintiff further avers that the defendant has effected a plan whereby your plaintiff is denied its just claim to the said improved dies.

14. In the previous paragraphs where the name defendant appears except in paragraph 8 is reference to the individual defendant, namely, Benjamin W. Freeman.

15. Plaintiff is informed and believes and therefore avers that since the signing of the License Contract as set forth in schedule "A", the defendant Benjamin W. Freeman has assigned all his right, title and interest in the said agreement to the defendant, The Louis G. Freeman Company, and the plaintiff never assented to said assignment. On May 13th, 1937, the plaintiff received a letter which purported to be a notice to the effect that in a certain time the defendant corporation intended to cancel the License Contract already referred to, a copy of this letter or notice is hereto annexed and marked "C".

Wherefore the plaintiff prays:

First: that the defendants, their agents, servants and attorneys be forthwith temporarily enjoined until further order of this Court from terminating or doing any act [fol. 31] toward the termination of the License aforesaid, and from publishing to the trade or taking any other steps likely to arouse the belief or apprehension that the plaintiff is not duly licensed.

Second: That said injunction be made permanent.

Third: That the Court order an accounting between the parties hereto and establish the amounts due based upon a fair interpretation of the License Contract.

Fourth: That the Court order the defendant Benjamin W. Freeman to grant to the plaintiff, the right to use the defendant's improved dies without additional royalty in accordance with paragraph 12 of the License contract.

Fifth: That this plaintiff have such other and further relief as justice and equity require.

Bee Machine Company, By Vincent W. Burke, Treasurer. Richard Remke; Murray, Sockhoff, Zugelter & Paddock, Counsel for Plaintiff.

Duly sworn to by Vincent W. Burke; jurat omitted in printing.

[fol. 32] EXHIBIT "A" TO COMPLAINT

This agreement made this 29th day of November 1933, by and between Benjamin W. Freeman, of Cincinnati, Ohio, hereinafter called the Licensor, and the Bee Machine Company, a corporation of Massachusetts, having its usual place of business at Lynn, Massachusetts, hereinafter called the Licensee, witnesseth:

That, whereas, said Benjamin W. Freeman is the inventor and sole owner of U. S. Letters Patent No. 1,681,033, dated August 14, 1928, on Cut-Out Machines, dies, anvils and masks, and is the sole owner of U. S. Letters Patent No. 1,886,554, dated November 14, 1932, to George Knight, now being reissued, and U. S. Reissue Patent No. 17,085, dated September 18, 1928 (original patent No. 1,545,863, July 14, 1925) to Alfred J. Thomas, and has the right to grant license under Letters Patent No. 1,584,230 to Joseph [fol. 33] C. Knight, to all his present and future licensees under Freeman patent No. 1,681,033, said Letters Patent No. 1,584,230 having been assigned to Joseph C. Knight under date of January 25, 1929.

Whereas, the Licensee has heretofore made certain dies, anvils and masks, the manufacture, sale and use of which since the date of issue of said patents aforesaid, are an infringement thereof and both parties have effected a settlement of said past infringement and any claim for damages and profits arising therefrom; and effected a settlement for any royalties accrued to Freeman under said patents; and now desire to arrange for a license for the future; and

Now, therefore, this instrument witnesseth: That in consideration of the mutual covenants and agreements herein contained and of $1.00 each to the other paid receipt of

which is hereby acknowledged it is hereby agreed as follows:

1. A non-exclusive license is hereby granted by said Licensor under said patents Nos. 1,681,033; 1,886,554; 1,584,230; and Reissue No. 17,085, or any reissues *thereof*, to the Licensee to make at its factory Lynn, Massachusetts, or any other factories as may be established by Licensee within the territory set forth in Clause 2, dies, anvils, and masks under said patents and to sell the same to shoe manufacturing establishments who now have or hereafter may acquire or own, or who have or will have cut-out machines [fol. 34] licensed under said patents.

2. This license to manufacture and sell such dies, anvils and masks is limited to the following territory, viz., the States of Maine, New Hampshire, Vermont, Massachusetts, Rhode Island, Connecticut and New York.

3. Licensee agrees to pay to Licensor a sum as royalty equal to 15% of the selling price of each die, mask or anvil supplied, providing that said royalty amounts to not less than $2.00 on any one item sold hereunder as a unit structure, be it die, mask, anvil or combination of the same sold as an item, in which case the Licensee agrees to pay a royalty of $2.00 when said 15% does not equal $2.00.

4. Licensee agrees that it will manufacture all dies, masks, anvils or other articles under this license in good workmanlike manner and of first class materials, and will supply same only for use in licensed machines and for none others, and Licensor shall have access during business hours to the factory of Licensee in order to view its manufacture of the licensed product and the Licensee shall supply full information as to the same.

5. The Licensee agrees that it will stamp each and every die, mask and anvil made and sold by it under this license with a serial number, commencing with the number B-1 and numbering each die, anvil or mask consecutively thereafter.

[fol. 35] 6. Licensee agrees that on each die, mask, anvil, or other part made and sold by them under this license, that it will cause to appear the patent number, viz: "Patent No. 1,681,033" together with Licensee's own name or mark as Licensee.

7. Among the items covered by this contract are dies, anvils and masks used in forming cut-outs in fitted uppers, and the Licensee agrees that it will not during the life of this contract make and/or sell any dies, anvils or masks for use in forming cut-outs in fitted shoe uppers, except those licensed hereunder, and that it will not make and/or sell any machines in infringement of said letters patent and engages to observe each and every condition of this agreement.

8. Licensee agrees to keep books of account covering all dies, masks and anvils produced and sold by it under this license and to permit access of Licensor or his representatives at reasonable times to the said books and to papers relating to the same and to supply copies of said accounts under oath if desired and from time to time as requested.

9. Licensee agrees that it will send to Licensor, accountings, returns and payments by the 20th day of each month of all dies, masks and anvils made in accordance with this license which it has sold during the preceding calendar months beginning with December first, 1933, and returns therefor commencing January 20th, 1934, said returns shall [fol. 36] include two impressions of each die made and sold under this license during the accounting period, together with name of customer, serial number of die, and the selling price and date of sale on one of said impressions.

10. This license may be cancelled by the licensor for cause or breach of condition by the Licensee upon first giving thirty (30) days written notice of the cause or breach complained of, and if not corrected within said time, a further written notice of cancellation may be sent by registered mail by Licensor cancelling this license within an additional thirty (30) days from said second notice, but such cancellation shall not affect the right of Licensor to collect royalties then due.

11. This license is personal to the Licensee for the territory herein reserved and for the Licensee's factory at Lynn, or such other factories that may be established by the Licensee within the territory set forth in clause 2 herein, and is under said Licensor's patents Nos. 1,681,033; 1,896,554, and Reissue No. 17,085, and No. 1,584,230, and any reissues thereof, or any other patent owned by or controlled by said Freeman which may be necessary for

the full enjoyment of the license rights by Licensee herein granted. Said Licensee agrees, during the continued existence of this contract, to cooperate with the Licensor in the protection of the patent monopoly granted under said [fol. 37] patents and in the development of the business thereof and thereunder.

12. Licensor agrees that if in the future he should develop or acquire improvements in the dies, anvils, and masks licensed herein that the Licensee shall have the right, subject to the conditions of this license, to use the same without additional royalty, and the Licensee agrees that if it develops or acquires any such improvements that it will grant the Licensor Benjamin W. Freeman of Cincinnati, Ohio, and all licensees under patent No. 1,681,033, if requested to do so by the Licensor, a right to employ the same without charge, and Licensee further agrees that if it shall conclude to dispose of any patents on the same that it may develop or acquire, that it will first offer said patents to the Licensor at such price as it has been bona fide offered by others.

12. Unless previously cancelled according to its terms, this license shall continue to the end of the term of the last one to expire of the patents included therein.

In witness whereof, the parties hereto have interchangeably set their respective hands and seals, this 29th day of November, 1933.

Benjamin W. Freeman. Bee Machine Company, By Vincent W. Burke, Treasurer.

Executed in duplicate.

[fol. 38] EXHIBIT "B" TO COMPLAINT

Registered Mail.

Cincinnati, Ohio, September 25, 1936.

Bee Machine Co., Lynn, Massachusetts.

Re: License Contract

GENTLEMEN:

Reference is made to the license contract dated November 29th, 1933, between the writer and the Bee Machine Co.,

as executed by Vincent W. Burke, Treasurer, including the letter of November 29th, 1933 as to the State of New York.

Clause 10 of the license states that the license may be cancelled for cause or breach of condition, upon thirty (30) days notice.

I beg to remind you that there have been many instances of breach and other occurrences affording cause for cancellation of the license, under Clause 10, since your telephone call of November 30th, 1934, and that I have not only been very patient and lenient with respect to these matters, but have gone to considerable trouble and expense in bringing these matters to your attention and endeavoring to have same corrected by you.

You will recall that we have even gone so far as to call upon you many times either in person, or by having our attorneys come in to see you and your attorney.

I now specifically remind you that we have received only incomplete royalty returns since November, 1935, such returns being based on an erroneous method of computing [fol. 39] royalties, to which your attention has been repeatedly directed. As a matter of fact we have received no royalty reports at all and no check covering royalty returns since June, 1936.

In view of the foregoing I hereby give you notice, pursuant to Clause 10 of the license contract above mentioned, that unless within thirty (30) days from the date of this notice the instances of breach of the contract be corrected, by a full and complete report upon and payment of royalties to date due under this license, that such contract will be cancelled and steps taken to collect the royalties due.

Very truly yours, (Signed) Benj. W. Freeman.

EXHIBIT "C" TO COMPLAINT

The Louis C. Freeman Co.

Cincinnati, Ohio,
May 13, 1937.

Bee Machine Company, Lynn, Massachusetts.

GENTLEMEN:

On September 25, 1936, we mailed you formal notice reciting breaches by you of license contract dated Novem-

ber 29, 1933. On October 20, 1936, we agreed to arbitrate the matters involved and that time would not run on our said notice during the arbitration.

On November 12, 1936, the date set for hearing before [fol. 40] Judge Peck, you appeared and refused, contrary to the advice of your counsel in attendance before the arbitrator, to proceed with the arbitration agreement, although we were prepared and were represented by counsel at that time.

This breach of the arbitration agreement by you removed the suspension of time running from our notice of September 25, 1936, and the total thirty days from formal notice having now expired without your breach of the license contract being cured, your license contract is hereby cancelled.

The contract gives you thirty days from date before the cancellation becomes effective.

Yours very truly, The Louis G. Freeman Company,
Benj. W. Freeman.

IN UNITED STATES DISTRICT COURT

ANSWER OF B. W. FREEMAN

Now comes the defendant, B. W. Freeman and states that the Bill of Complaint here does not contain as required by the Equity Rules, a "short plain statement of the ultimate facts upon which the plaintiff asks relief," nor, so far as any intelligible statement can be derived from the bill of complaint, does it state sufficient facts to constitute [fol. 41] a cause of action in equity against the defendant, and accordingly the defendant moves to dismiss the said bill of complaint, and further answering the defendant says:

1. He admits the facts stated in paragraph 1 of the Bill of Complaint.

2. He admits that this Court has jurisdiction of this cause as set forth in paragraph 2 of the bill of complaint but denies that the charges against the defendant as set forth in said paragraph are true.

3. He admits the facts stated in paragraph 3 of the bill of complaint.

4. He admits that the plaintiff has been conducting business since November 29th, 1933, but denies that it has been in accordance with the said license provisions.

5. The defendant does not understand what is stated in paragraph 5 of the bill of complaint, and hence can neither affirm or deny the same, and hence puts the plaintiff to its proofs, but in connection with the subject matter surrounding the allegations in said paragraph defendant says that plaintiff did not until June 1936, pay all royalties in connection with the said license contract, that one of the United States Letters Patent was held to be invalid as to certain claims thereof, and valid as to other claims thereof, by the Court of Appeals of the First Circuit whose mandate was handed down in October, 1936, but that the matters adjudicated invalid have been corrected in the United States [fol. 42] Patent Office by a re-issue of the said United States Letters Patent of the defendant; that the plaintiff never paid any sum of $15,000 to the defendant, that the plaintiff at no time overpaid the defendant but that the plaintiff for a time paid the royalty required by the contract, Schedule A, on its selling price, and that thereafter the plaintiff arbitrarily and with no justification whatever, asserted that it should have some deduction from its selling price before computing royalties, and proceeded to credit itself and to cease paying royalties except upon some assumed balance due, to all of which the defendant objected, and defendant says that during the life of the said license contract between himself and the plaintiff, there was never a failure of consideration of any kind, from the defendant.

6. The defendant admits that he sent the letters attached as Schedule B to the plaintiff but denies the alleged purpose in doing so set forth in Paragraph 6 of the Bill.

7. Defendant denies the statements in Paragraph 7 as to defendant's purpose but says that he has the right to advise others that the plaintiff has no license contract with him, and that its dies are unauthorized infringement of patents belonging to him.

8. Defendant denies the facts stated in Paragraph 8.

9. Defendant admits that the plaintiff has continued to [fol. 43] manufacture dies as to which its customers will wish to know whether they are infringements or not upon

the defendant's patents, and states that the plaintiff is continuing to manufacture the same dies that it manufactured pursuant to the license contract, but without leave or license of the defendant. Otherwise defendant has no knowledge of the facts set forth in Paragraph 9 of the Bill of Complaint, and puts the plaintiff to its proofs.

10. Defendant denies the purpose alleged in Paragraph 10 of the Bill of Complaint, but asserts his right to perform the acts which according to said paragraph it is alleged that it is his purpose to perform.

11. Defendant denies the facts stated in Paragraph 11, in so far as he understands what is meant thereby.

12. The defendant denies the facts set forth in Paragraph 12 of the Bill of Complaint.

13. Defendant denies the facts set forth in Paragraph 13 in so far as he understands the same.

14 and 15. Defendant denies the facts stated in Paragraphs 14 and 15 but admits that the letter marked Schedule C, and attached to the Bill of Complaint was sent to the plaintiff by him, but states that the facts are true as set forth in said exhibit "C".

Wherefore, this defendant prays that the Bill of Complaint be dismissed and that he be awarded his costs.

[fol. 44] FIRST COUNTERCLAIM

1. Defendant says that on or about the 29th day of November, 1933, he did enter into with the plaintiff that certain License Contract attached to the Bill of Complaint and marked Exhibit "A", and that up to and including October 25th, 1936, the defendant did truly perform all obligations imposed by the said contract upon him, but that the plaintiff failed to abide by and perform the obligations imposed upon the plaintiff in the said license contract.

2. Specifically the defendant says that while the plaintiff filed reports of its sales pursuant to the said license contract covering the period up to June, 1935 inclusive, in which the actual selling price of the plaintiff was employed as a basis for calculating royalties, yet defendant is informed and believes, that the plaintiff omitted to report the sales

of dies which while retained by the purchaser, were never paid for in full; thereupon the plaintiff commenced to and did file reports covering the months of July and August, 1935, on the arbitrary basis of deducting 20% from the selling price of the plaintiff, prior to calculating royalty, but without the knowledge of the defendant. Subsequently the plaintiff went over its previous reports assumed that it had a right to deduct 20% from the selling price before figuring royalty and proceeded without warrant or author- [fol. 45] ity to credit itself with the difference between what it had paid up to June, 1935, and what on this arbitrary basis it contended that it should have paid, and although the plaintiff reported sales of dies for November and December, 1935, and January 1936, still plaintiff contended that it did not need to pay the royalty because of this assumed credit against overpayment. Beginning with reports for February to May, 1936, the plaintiff reported its sales pursuant to the contract but continued to take the unauthorized credit of 20% off of its selling price, and tendered royalty payments on this basis, which the defendant refused to accept, and subsequently as covering the months of June, July, August and September, 1936, the plaintiff made a report pursuant to the license contract still on the assumed basis of a credit of 20% off of its selling price, but did not even tender the payment of royalty.

3. Defendant says that he protested against the said failure of the plaintiff to live up to the provisions of the contract, but the plaintiff having refused to make proper payments or reports, the defendant did send to the plaintiff the notice attached to the Bill of Complaint and marked "Exhibit B", whereby the license contract, Exhibit "A", was cancelled, unless within thirty days from September 25th, 1936, the plaintiff did correct its breach consisting of improper reports and non-payment of royalties due, [fol. 46] which defendant had a right to do pursuant to Clause 10 of the said license contract.

4. Defendant says that within thirty days of the receipt of said notice, the plaintiff did not repair the said breach of the said license contract, and accordingly on October 25th, 1936, said contract did become void and of no effect.

5. Defendant says that due to the complication in connection with plaintiff's accounts hereinabove set forth, it

will be necessary in order that justice may be done, that this Court do grant to the defendant an accounting in equity against the plaintiff, appointing a Master to investigate the books and papers of the plaintiff and to take and state an account of the amounts due from the plaintiff to the defendant for the period from November 29th, 1933, up to and including October 25th, 1936.

6. Defendant says that the plaintiff after receipt of notice of cancellation of the license contract attached to the Bill of Complaint and marked Exhibit "A", did enter into an arbitration contract with the defendant to arbitrate the question of the amount due by way of royalties, but that the plaintiff did breach said arbitration contract by refusing to continue with the same after the matter had been set down for hearing before the Arbitrator agreed upon by the plaintiff and the defendant, to the great damage of the defendant. The defendant says that in connection with [fol. 47] accounting by the plaintiff to the defendant, it should also be required to pay to the defendant his said damages.

SECOND COUNTERCLAIM

Defendant reaffirms all facts stated in his First Counterclaim herein, and in addition says:

1. That on December 3, 1923, the defendant, B. W. Freeman, being within the meaning of the United States statutes then in force, the original, first and sole inventor of a certain Cut-Out Machine for Shoe Uppers, and being entitled to a patent thereon under the provisions of the said statutes, duly filed in the United States Patent Office an application for Letters patent, Serial No. 678,213, for said invention.

2. That on August 14th, 1928, all requirements of the then existing statutes of the United States and Rules of Practice of the United States Patent Office having been complied with, Letters Patent of the United States No. 1,681,033 were duly granted to this defendant on said application, Serial No. 678,213, which letters patent or a certified copy thereof the defendant will produce as this Court may direct.

3. Defendant says that on or about October, 1936, he discovered that his said letters patent No. 1,681,033 were de-

fective and insufficient for the reason that the matter de-
[fol. 48] scribed in the specification as originally filed, was not sufficiently claimed, which defects and errors arose through inadvertence, accident or mistake without any fraudulent or deceptive intention on the part of the defendant, and accordingly on October 30th, 1936, defendant did file applications for reissue of the said letters patent No. 1,681,033, in the United States Patent Office, to-wit, Serial No. 108,479 and 108,480, which applications were in due form of law to remedy the errors and remove the defects of the said original patent, and that on December 8th, 1936, all requirements of the statutes of the United States then in force having been complied with, Reissue letters patents Nos. 20,202 and 20,203 were issued to the defendant, as will more fully appear from the said reissue letters patents or a duly certified copy thereof, which defendant will produce as this Court will direct, and of which profert is hereby made. And defendant says that as of said date, Dec. 8th, 1936, he did surrender to the United States Patent Office his original letters patent No. 1,681,033.

4. Defendant says that the plaintiff since October 25, 1936, did infringe upon the defendant's letters Patent No. 1,681,033 up to and including December 8th, 1936, and that after December 8th, 1936, and up to the present date, the plaintiff has infringed upon defendant's Letters Patents, Re-issue Nos. 20,202 and 20,203, by making or causing to be [fol. 49] made, selling or causing to be sold, and using or causing to be used, dies for cutting holes in shoe uppers, in accordance with and embodying the inventions disclosed and claimed in the said original letters patent, and reissue letters patents, wilfully and without consent of the defendant, and that since December 8th, 1936, the defendant has contributed to the infringement of the method of decorating shoe upper disclosed and claimed in defendant's reissue letters patent 20,203, and in providing dies for use in combination with machines in infringement of the machine claims of said reissue letters patent No. 20,203.

5. Defendant says that on January 14th, 1924, George Knight being within the meaning of the United States Statutes then in force, the original, first and sole inventor of a certain Perforating Machine, and being entitled to a patent thereon under the provisions of the said statutes, duly filed

in the United States Patent Office an application for letters patent, Serial No. 686,153, for said invention.

6. That on November 8th, 1932, the said George Knight having assigned his entire right, title and interest in and to the said application for United States Letters Patent to this defendant, B. W. Freeman, and all of the requirements of the then existing statutes of the United States and Rules of Practice of the United States Patent Office having [fol. 50] been complied with, Letters Patent of the United States No. 1,886,554 were duly granted to the said defendant on said application, Serial No. 686,153, which letters patent or a duly certified copy thereof, the defendant will produce as this Court may direct.

7. That thereafter, to-wit, on or about December, 1932, the said George Knight and the defendant did discover that the said Letters Patent No. 1,886,554 were defective and insufficient, for the reason that the matter described in the specification as originally filed was not sufficiently claimed, that the defects and errors which rendered the said specification and claims defective arose through inadvertence, accident or mistake, and without any fraudulent or deceptive intention on the part of George Knight or of the defendant, and that said George Knight and the defendant on December 21, 1932, applied in due form of law for a re-issue of the said letters patent No. 1,886,554, so as to remedy the errors and remove the defects in said original patent, and that on December 15th, 1936, all the requirements of the statutes of the United States then in force having been complied with, re-issue letters patent No. 20,206 were duly issued to the defendant, as will more fully appear from the said re-issue letters patent, or a duly certified copy thereof which defendant will produce as this Court will direct, and of which profert is hereby made.

[fol. 51] 8. Defendant says that the plaintiff since October 25th, 1936, did infringe upon the defendant's Letters Patent No. 1,886,554, up to and including December 15th, 1936, and that after December 15th, 1936, and up to the present date, the plaintiff has infringed upon defendant's Letters Patent, Re-issue No. 20,206, by making or causing to be made, selling or causing to be sold, and using or causing to be used, dies for cutting holes in shoe uppers, in accordance with and embodying the invention disclosed and

claimed in the said original letters patent, and re-issue letters patent, wilfully and without the consent of the defendant.

9. That by virtue of the premises, the plaintiff was well advised of the letters patent of the defendant, and of the plaintiff's infringement thereon, but that the plaintiff did deliberately infringe upon the said letters patent, and after the re-issues of the said letters patent, did continue such infringement, both of the claims of the original patents which were granted in the same language in the re-issue patents, and upon the claims of the said re-issue patents after the said re-issue patents were granted.

10. That the plaintiff has derived unlawful gains and profits from such infringement and that the said infringement will constitute an irreparable injury to the defendant unless enjoined by this Court, and that the defendant has been caused serious damages, wherefore the defendant is [fol. 52] entitled to a recovery of the gains and profits of the plaintiff, to be made whole of its damages, and to an injunction in equity against the continuance of the said infringement.

Defendant therefore prays:

1. For an injunction restraining the plaintiff, officers, agents, servants and employees from directly or indirectly causing to be made, selling or causing to be sold, or using or causing to be used, or contributing to the use by others of any devices or products made in accordance with or embodying or employing the inventions of the said Re-issue letters patent Nos. 20,202, 20,203, and 20,206, or any of them, or from infringement upon or violating the said letters patent or any of them in any way whatever.

2. That the plaintiff be required to account to and pay to defendant for the royalties due to the defendant up to and including October 25, 1936, upon the contract, Exhibit "A", attached to the Bill of Complaint, in so far as the same have not been accounted for and paid.

3. That the plaintiff be required to account to and pay to the defendant the defendant's damages arising out of breach of agreement to arbitrate, as hereinbefore set forth and plaintiff's profits from the infringement set forth as well as the damages to defendant arising therefrom.

4. That this cause be referred to a Master to take an ac-
[fol. 53] counting of the profits to the plaintiff and the damages to the defendant arising out of the breach of contract and infringement of letters patent of the defendant, and of his findings to make due report to this Court, and for the recovery from the plaintiff of all said profits and damages and for the costs of the defendant.

5. For such other and further relief as the Court may deem proper and just in the premises.

Benjamin W. Freeman, by Allen & Allen, His Attorneys.

Duly sworn to by Benjamin W. Freeman. Jurat omitted in printing.

[fol. 54] IN UNITED STATES DISTRICT COURT

ANSWER OF THE LOUIS G. FREEMAN COMPANY

Now comes The Louis G. Freeman Company, and states that the Bill of Complaint here does not contain as required by the Equity Rules, a "short plain statement of the ultimate facts upon which the plaintiff asks relief," nor, so far as any intelligible statement can be derived from the bill of complaint, does it state sufficient facts to constitute a cause of action in equity against the defendant, and accordingly the defendant moves to dismiss the said bill of complaint, and further answering says:

1. That as to the facts set forth in the bill of complaint, it has no knowledge or interest except as follows: B. W. Freeman the other defendant in this cause, has an arrangement with this defendant whereby this defendant is the sole licensee entitled to manufacture machines within certain territories under the patents referred to in the bill of complaint, not including the territory in which the plaintiff operates pursuant to the license contract, Schedule A, filed with the bill of complaint, and further that the royalties from various license contracts are paid by said B. W. Freeman to this defendant, and that this defendant has in the past, does and will in the future pay to said B. W. Freeman adequate consideration for the receipt of said royalties. However, the patents included in the said license contract

are owned by B. W. Freeman who makes all contracts, [fol. 55] and whose obligations under the said contracts are his own obligations, and said B. W. Freeman has at no time assigned either the said license contract of the plaintiff, or any of the patents included therein to this defendant, and this defendant's interest in any income from the said license contract to the plaintiff arised only after the said income has been received by said B. W. Freeman, and this defendant says that its interests in the patents of B. W. Freeman being confined to territories other than those in which the plaintiff operates, and the contract in suit not being the property of this defendant in any way, this defendant is not a proper party to this litigation and should be dismissed therefrom, and be awarded its costs most wrongfully sustained.

The Louis G. Freeman Company, by Allen & Allen,
Its Attorneys.

In United States District Court

Plaintiff's Reply to Counterclaims

Reply to First Counterclaim

The plaintiff, Bee Machine Company, for its Reply to the first counterclaim says:

(1) Answering Paragraph 1 of the first counterclaim, plaintiff admits entering into the License Contract attached to the Bill of Complaint and marked Exhibit "A" but de- [fol. 56] nies each any every other allegation of said Paragraph.

(2) Answering Paragraph 2 of the first counterclaim, plaintiff denies each and every allegation therein contained and further avers that plaintiff has at all times fully performed all the obligations imposed upon it by said License Contract or has at all times been ready, able and willing to perform all the obligations imposed upon him by said Contract except as prevented by the defendant.

(3) Answering Paragraph 3 of the first counterclaim, plaintiff acknowledged receipt of the notice attached to the

Bill of Complaint and marked Exhibit "B" but denies each and every other allegation of said Paragraph.

(4) Answering Paragraph 4 of the first counterclaim, plaintiff denies each and every allegation therein contained.

(5) Answering Paragraph 5 of the first counterclaim, plaintiff denies each and every allegation therein contained.

(6) Answering Paragraph 6 of the first counterclaim, plaintiff admits entering into an arbitration contract with the defendant but avers that its entering into such contract was induced by misrepresentation on the part of the defendant and that said arbitration contract was subsequently cancelled by mutual agreement of the parties but except as [fol. 57] expressly admitted plaintiff denies each and every other allegation of said Paragraph.

PLAINTIFF'S REPLY TO SECOND COUNTERCLAIM

(1) Answering Paragraph 1 of the second counterclaim, plaintiff admits the filing of application for letters patent, Serial No. 678,213 but denies each and every other allegation of said Paragraph.

(2) Answering Paragraph 2 of the second counterclaim, plaintiff admits the grant of letters patent No. 1,681,033 but does not know and is not informed save by said counterclaims as to the other matters alleged therein and therefore denies the same.

(3) Answering Paragraph 3 of the second counterclaim, plaintiff admits the filing of applications for reissue of letters patent No. 1,681,033 to wit: Serial Nos. 108,479 and 108,480, and the grant of reissue letters patent Nos. 20,202 and 20,203 and the surrender of his original letters patent No. 1,681,033 but denies each and every other allegation of said Paragraph.

(4) Answering Paragraph 4 of the second counterclaim, plaintiff denies each and every allegation of said Paragraph for the reason that it has been licensed under letters patent No. 1,681,033 and reissue patents Nos. 20,202 and 20,203 as set forth in said License Contract attached to the Bill of Complaint marked Exhibit "A", which said Contract is [fol. 58] still in force between the parties.

(5) Answering Paragraph 5 of the second counterclaim, plaintiff admits the filing of application for letters patent,

Serial No. 686,153 but denies each and every other allegation of said Paragraph.

(6) Answering Paragraph 6 of the second counterclaim, plaintiff admits the grant of letters patent No. 1,886,554 but denies each and every other allegation of said Paragraph.

(7) Answering Paragraph 7 of the second counterclaim, plaintiff admits the filing of application for reissue of said letters patent No. 1,886,554 and the grant of reissue letters patent No. 20,206 but denies each and every other allegation of said Paragraph.

(8) Answering Paragraph 8 of the second counterclaim, plaintiff denies each and every allegation of said Paragraph for the reasons that it has been licensed by the defendant under said letters patent No. 1,886,554 and reissue No. 20,206 as set forth in said License Contract attached to the Bill of Complaint and marked Exhibit "A", which said License is still in force between the parties.

(9) Answering Paragraph 9 of the second counterclaim, plaintiff denies each and every allegation of said Paragraph for the reasons that plaintiff has been licensed by the defendant under said letters patent and reissue thereof as set forth in said License Contract attached to the Bill of Complaint marked Exhibit "A", which said License is [fol. 59] still in force between the parties.

(10) Answering Paragraph 10 of the second counterclaim, plaintiff denies each and every allegation therein contained.

Wherefore the plaintiff prays that the first and second counterclaims be dismissed.

(Signed) Bee Machine Company, by Vincent W. Burke, Treasurer.

IN UNITED STATES DISTRICT COURT

PLAINTIFF'S MOTION FOR LEAVE TO AMEND ITS REPLY TO DEFENDANT'S SECOND COUNTERCLAIM AND ORDER THEREON

Now comes the Plaintiff, Bee Machine Company, by its attorneys and moves this court for leave to amend its reply to defendant's second counterclaim in the following particulars; to wit:

1. After paragraph 10, page 4 of Plaintiff's Reply to Second Counterclaim add the following:

(11) Further answering, plaintiff says that said Letters Patent in suit Reissue Nos. 20,202, 20,203 and 20,206 are invalid and void and of no effect to secure any exclusive rights to the defendant, in the event that this Court shall rule that said License Contract attached to the Bill of [fol. 60] Complaint and marked Exhibit "A" is void and of no effect. Since the defense that plaintiff has been licensed by the defendant under the letters patent in suit Reissue Nos. 20,202, 20,203 and 20,206, is a full and complete defense against defendant's said Second Counterclaim, in the event that this Court rules that the said License Contract Exhibit "A" is still in force between the parties, plaintiff hereby moves that its defense of license to said second counterclaim be separately heard and disposed of by the Court pursuant to the provisions of Federal Equity Rule 29, before a trial on the merits of said Second Counterclaim.

(12) Further answering, plaintiff says that the said Benjamin W. Freeman was not the first, original and sole inventor of the alleged improvements in Cut-Out Machines for Shoe Uppers purporting to be described and claimed in said Letters Patent No. 1,681,033 and reissue Letters Patent Nos. 20,202, 20,203, or any substantiai or material part thereof, and that the said George Knight was not the first, original and sole inventor of the alleged improvements in Perforating Machines purporting to be described and claimed in said Letters Patent No. 1,886,554 and Reissue Letters Patent No. 20,206, or any substantial or material part thereof; but avers that the said alleged respective inventions were not new at the time of the alleged in- [fol. 61] vention thereof by the said Benjamin W. Freeman, or George Knight, respectively, but was patented, shown

or described by the following Letters Patent and printed publication prior to the date of alleged invention and discovery thereof:

The remaining paragraphs 12 to 22 thereof set up defenses to the merits of the Defendant Freeman's Second Counterclaim not here involved.

And for the reasons aforesaid, the plaintiff submits that it ought not to be decreed to account for and pay over any royalties under the license contract attached to the Bill of Complaint and marked Exhibit "A", and ought not to be decreed to account for and pay over any supposed gains, profits or damages and ought not to be restrained and enjoined as prayed for in the defendant's second counter claim and it submits that the defendant is not entitled to any relief whatsoever against this plaintiff.

All of which matters and things this plaintiff is ready and willing to aver, approve and maintain as this Honorable Court directs and it humbly prays to be hence dismissed without costs and charges on its behalf most wrongfully sustained.

Dike, Calver & Gray, Attorneys for Plaintiff.

[fol. 62] Boston, Massachusetts, April 30, 1939.

Entry of the foregoing amendment is hereby consented to.

—— ——, Attorneys for Defendant.

So ordered:

—— ——, United States District Judge.

IN UNITED STATES DISTRICT COURT

PLAINTIFF'S MOTION FOR LEAVE TO AMEND ITS BILL OF COMPLAINT AND ORDER THEREON

Now comes the plaintiff, Bee Machine Company, by its attorneys and moves this Court for leave to amend its Bill of Complaint in the following particulars, to wit:

1. At the end of Paragraph 5 (Page 2) and as a part of the same add the following:

That the plaintiff has at all times fully performed all the conditions and obligations imposed upon it by the said License Contract, and has at all times been ready, able and

willing to perform all the obligations imposed upon it by said contract except as prevented by the defendants. Nevertheless the defendants have attempted to impose on the plaintiff obligations not specified in the License Contract, nor properly to be implied therein, in the following particulars:

(1) By stating and insisting that under said License [fol. 63] Contract the 15% royalty to be paid by the plaintiff to the defendants must be figured on the selling price of the dies after the royalty has been added, making the actual royalty to be paid by the plaintiff 17¼% of the original selling price of the die to the shoe manufacturer, instead of the 15% specified in the said License Contract.

(2) By stating and insisting that under said License Contract the 15% royalty to be paid must be figured on the selling price of the dies before the usual trade discounts are deducted.

(3) By stating and insisting that, under said License Contract, the plaintiff is required to pay the 15% royalty on all dies which have been sold and delivered even though the plaintiff never receives payment for the same, as when the purchaser goes bankrupt.

(4) On or about June 3, 1936 Letters Patent to Freeman No. 1,681,033 owned by the defendants, and one of the patents under which the plaintiff was licensed in said License Contract, was held invalid by the United States Circuit Court of Appeals for the First Circuit in Premier Machine Company v. Benjamin W. Freeman, 84 F. (2d) 425 with respect to the anvil die, and three claims relating to the mask were held valid if strictly limited. By reason of said decision and decree on June 3, 1936 the anvil die [fol. 64] became public property and free of any Freeman monopoly and free to anyone, including the plaintiff, to make, use or sell without payment of royalty to the said defendants. Nevertheless, since June 3, 1936 the defendants wrongfully and without justification have claimed and alleged that the plaintiff is still obligated to pay the defendants the same 15% royalty on said anvil die, because the defendant Freeman was able to reissue his original letters patent No. 1,681,033 in the Patent Office, which became Reissue Letters Patent No. 20,202 and 20,203 containing certain method claims. As the plaintiff is informed and

believes, the reissue of said Freeman patent with method claims is, as a matter of law, ineffective to secure to the defendants any monopoly in and to anvil dies which have been held to be unpatentable by the United States Circuit Court of Appeals for the First Circuit as aforesaid.

(5) Since the decision of the United States Circuit Court of Appeals for the First Circuit on June 3, 1936 aforesaid, the defendants have also wrongfully and without justification claimed and alleged that the plaintiff under the License Contract aforesaid is nevertheless required to pay the 15% royalty on the total selling price of all anvil and flat bed dies used in combination with a mask, rather than 15% [fol. 65] of the selling price of the mask alone, because the claims of Freeman reissue No. 20,202 relating to the mask specify the mask in combination with the die. An anvil or flat bed die, is however, an old and unpatentable device, to which a mask is added, (said mask being merely an edge gauge locating from on top of the work), and performs no new function whatever when the anvil or flat bed die is combined with a mask. As the plaintiff is informed and believes, the improvement of one part of an old combination, as by adding the mask to an anvil or flat bed die, as a matter of law, gives a patentee no right to claim that improvement in combination with other old parts which perform no new function in the combination. The defendants' interpretation of the meaning and effect of said License Contract as above specified is unjustified and without warrant, and the plaintiff in disagreeing with the defendants in their interpretation of the meaning and effect of said License Contract have provided the defendants no cause or breach of condition by the plaintiff justifying the attempted cancellation of the said License Agreement by the defendants.

2. At the end of Paragraph 13 (page 4) add the following:

The improvement in dies, anvils and masks which the plaintiff has the right to use without payment of additional [fol. 66] royalty, under the provisions of Paragraph 12 of the License Contract, relate to combined markings and cut-out dies, and are embodied in Freeman patents owned by the defendants No. 2,084,335, granted June 22, 1937, and Nos. 1,990,592, 1,990,595, 1,990,597 and 1,990,598, granted

February 12, 1935, and possibly others at present unknown to this plaintiff, but which when found the plaintiff will ask leave to have inserted in this Bill of Complaint.

3. In the Prayer for Relief (page 5) at the end of Paragraph Third change the period to a comma and add the following:

and specifically determine the five points in dispute between the parties as enumerated in the amendment to Paragraph 5 of the Bill of Complaint involving the interpretation of the License Contract and plaintiff's obligations thereunder since June 3, 1936, the date of the decision of the United States Circuit Court of Appeals for the First Circuit in Premier Machine Company v. Benjamin W. Freeman, 84 F. (2d) 425.

4. In the Prayer for Relief (page 5) at the end of Paragraph Fourth change the period to a comma and add the following:

said improved dies being those embodied in Freeman patents owned by the defendants No. 2,084,335 and Nos. 1,990,592, 1,990,595, 1,990,597 and 1,990,598.

5. At the end of the Prayer for Relief (page 5) add the following paragraph:

[fol. 67] Sixth: For a decree ordering the defendants to pay the costs of this suit.

Cedric W. Porter, Dike, Calver & Gray, Attorneys for Plaintiff.

Boston, Mass., May 11, 1938.

Entry of the foregoing amendment is hereby consented to.
—— ——, —— ——, Attorneys for Defendants.

So Ordered: —— ——, U. S. D. J.

In United States District Court

Plaintiff's Second Motion for Leave to Amend Its Bill of Complaint and Order Thereon

Now comes the plaintiff, Bee Machine Company, by its attorneys, and moves this Court for leave to amend its Bill of Complaint in the following particulars, to wit:

1. At the end of Paragraph 5, page 4 of plaintiff's Amendment to paragraph 5 (page 2) of plaintiff's original Bill of Complaint, add the following:

6. Assuming plaintiff's obligation to pay royalties, since the decision of the United States Circuit Court of Appeals for the First Circuit in Premier Machine Company v. Benjamin W. Freeman aforesaid, to be on the mask alone as set [fol. 68] forth in the paragraph immediately above, the defendants wrongfully and without justification claim and allege that the mask is then subject to the minimum royalty of Two Dollars as provided in Paragraph 3 of the License Contract. As the plaintiff is informed and believes, the minimum royalty provision is not applicable to a mask alone, which does not exist and has no function or utility except in combination with and as part of a die.

2. After "Nos. 1,990,592" line 7 of the Amendment No. 2 at the end of Paragraph 13 (page 4) to the Bill of Complaint strike out "1,990,595, 1,990,597, 1,990,598, granted February 12, 1935" and insert in place thereof the following—1,990,593, 1,990,594, 1,990,595, 1,990,596, 1,990,597, 1,990,598, and 1,990,599, granted February 12, 1935 and 1,960,486, granted May 29, 1934.

3. In Amendment No. 3 to the Bill of Complaint in the Prayer for Relief, line 1 change "five" to *six*.

4. In Amendment No. 4 to the Bill of Complaint in the Prayer for Relief, lines 3 and 4, strike out "1,990,595, 1,990,597 and 1,990,598" and insert in place thereof the following —1,990,593, 1,990,594, 1,990,595, 1,990,596, 1,990,597, 1,990,598, 1,990,599 and 1,960,486.

Cedric W. Porter, Dike, Calver & Gray, Attorneys for Plaintiff.

[fol. 69] Boston, Mass., Date: May 25, 1938.

Entry of the foregoing amendment is hereby consented to.
Allen & Allen, Attorneys for Defendants.

So Ordered: ——, U. S. D. J.

IN UNITED STATES DISTRICT COURT

STIPULATION AS TO ISSUE AND TRIAL—June 1, 1939

It is stipulated and agreed by and between counsel that the issue of the existence of a License Agreement between the parties shall be tried first and separately, under Equity Rule 29, and that the case proceed to trial without amendments to the pleadings at this time.

It is further agreed that counsel for the defendants has been fully apprised of the subject matter sought to be pleaded and that said subject matter may be tendered as evidence subject to objection as to the competency of such matters at all, but not subject to any objection on the ground that defendant has not been apprised as to them or that plaintiff has not properly pleaded them.

It is further understood that the court will not pass upon [fol. 70] the filing of the pleadings submitted this morning at this time, but will defer its ruling with the agreement that if the court later holds that they may be filed, it may be done without prejudice to the rights of plaintiff or defendant and may be filed as of the date of this stipulation.

Nevin, Judge.

Mr. Raymond Kunkel for the Plaintiff, Mr. Marston Allen for the Defendants.

IN UNITED STATES DISTRICT COURT

INTERLOCUTORY JUDGMENT

This Cause having come on to be heard upon the pleadings and proofs taken in open Court and the briefs of both parties, limited, however, to "the issue of the existence of a License Agreement between the parties" pursuant to a Stipulation entered June 1, 1939, and upon consideration thereof, it is hereby

Ordered, Adjudged and Decreed as follows:

(1) that the Plaintiff's Bill of Complaint is hereby dismissed.

(2) That the plaintiff's Bill of Complaint in so far as it relates to the defendant, The Louis C. Freeman Company, is hereby dismissed with costs to said Defendant Company.

(3) That the License Agreement between the parties was properly cancelled by the defendant Freeman, for cause or

[fol. 71] breach of condition by the Plaintiff justifying the cancellation upon his (Freeman's) part.

(4) That defendant's first counterclaim, insofar as it seeks an accounting against the Plaintiff of the amounts due from the Plaintiff to the Defendant for the period from November 29, 1933 up to and including June 12, 1937, is hereby granted; and that this case be referred to John W. Menzies as a master of this Court to take and state the amounts due from the plaintiff to the defendant under said license agreement between the parties for the period from November 29, 1933 up to and including June 12, 1937, and referred thereon; and that the plaintiff and its employees and agents are hereby directed and required to attend before said master from time to time as required and to produce before him such books and documents as relate to the matter in issue and to submit to such oral examination as the master may require.

(5) That Defendant's first counter-claim insofar as it seeks an accounting and damages arising out of an alleged breach by the plaintiff of an agreement to arbitrate between the parties is hereby dismissed.

(6) That the merits of defendant's second counter-claim which seeks an injunction against the Plaintiff from infringement of letters patent to Freeman Reissue No. 20,202 and 20,203 and to Knight reissue No. 20,206 from October 25, 1936 to date, and to Plaintiff's Amended Reply thereto, [fol. 72] except as to the Plaintiff's defense of license to said Second Counterclaim, are not passed upon at this time and are left to further hearing and trial between the parties.

(7) That Plaintiff's Motion for Leave to Amend its Reply to Defendant's Second Counterclaim is hereby granted in accordance with the provisions of the last paragraph of the stipulation between the parties of June 1, 1939.

(8) That plaintiff's First and Second Motions for Leave to Amend its Bill of Complaint are hereby granted, and the Plaintiff's Bill of Complaint as thus amended is hereby dismissed.

(9) That plaintiff's Motion for Leave to File a Supplemental Bill is hereby denied without prejudice to the right of the plaintiff to bring to the attention of the Court by appropriate pleading, any infraction of its right which it be-

lieves the defendant has committed or is committing in connection with representations or threats to the trade or plaintiff's customers.

(10) That the defendant Freeman, recover his costs to date in this Court.

Nevin, United States District Judge.

Cincinnati, Ohio, October 7, 1939.

Approved as to form: Cedric W. Porter, Dike, Calver & Gray, Attorneys for Plaintiff. Marston Allen, Allen & Allen, Attorneys for Defendant.

[fol. 73] IN UNITED STATES DISTRICT COURT

CLERK'S CERTIFICATE

UNITED STATES OF AMERICA,
Southern District of Ohio, ss:

I, Harry F. Rabe, clerk of the United States District Court in and for the Southern District of Ohio, do hereby certify that the annexed and foregoing is a true and full copy of the original Bill of Complaint filed June 3, 1937, Answer of the Louis G. Freeman Company filed June 18, 1930; Answer of B. W. Freeman filed June 18, 1937; Plaintiff's Reply to First Counterclaim filed August 25, 1937; Plaintiff's Motion to Defendant's Second Counterclaim filed May 13, 1938; Plaintiff's Second Motion for Leave to Amend its Bill of Complaint filed May 27, 1938; Stipulation of June 1, 1938; and Interlocutory Judgment entered October 10, 1939, in the case of Bee Machine Company, Plaintiff vs. Benjamin W. Freeman and The Louis G. Freeman Company, Defendants, in Equity No. 1020.

Now remaining among the records of the said Court in my office.

In testimony whereof I have hereunto subscribed my name and affixed the seal of the aforesaid Court at Cincinnati, Ohio, this tenth day of May, A. D. 1941.

Harry F. Rabe, Clerk, by Charles C. Ehel, Deputy Clerk.

[fol. 74] IN UNITED STATES DISTRICT COURT

AFFIDAVIT OF MARSTON ALLEN

Marston Allen, being first duly sworn deposes and says that he is of counsel for the defendant in the above entitled action and that since the filing of motion for Summary Judgment therein on behalf of the defendant there has been issued from the Court of Appeals of the Sixth Judicial Circuit its decree of affirmance of the decree which is relied upon in said Motion for Summary Judgment. Attached to this affidavit are the Clerk's notice, attached to which is the decree of the Court of Appeals and attached also to which is the Decision of the District Court together with the Findings of Fact and Conclusions of Law, referred to in the decree of the Court of Appeals.

Marston Allen.

Duly sworn to by Marston Allen. Jurat omitted in printing.

[fol. 75] EXHIBIT TO AFFIDAVIT OF MARSTON ALLEN

DECISION—August 14, 1939

NEVIN, *District Judge:*

This is a suit in equity in which plaintiff, Bee Machine Company, a Massachusetts corporation seeks to enjoin defendants herein, Benjamin W. Freeman and The Louis G. Freeman Company, an Ohio corporation, both of Cincinnati, Ohio, from canceling a certain patent license agreement entered into between the parties, dated November 29, 1933.

Plaintiff filed its bill of complaint in this court on June 3, 1937. Based upon the allegations of its bill and for reasons therein set forth it prays that the defendants be "enjoined until further order of this Court from terminating or doing any act toward the termination of the License aforesaid, and from publishing to the trade or taking any other steps likely to arouse the belief or apprehension that the plaintiff is not duly licensed."

On June 18, 1937, answers were filed on behalf of The Louis G. Freeman Company and Benjamin W. Freeman, individually, respectively. In its answer The Louis G. Freeman Company alleges that it has no knowledge of, or in-

terest in, the facts set forth in the bill of complaint; that it is merely a "licensee entitled to manufacture machines within certain territories under the patents referred to in the bill of complaint, not including the territory in which the plaintiff operates", that the patents referred to "are owned [fol. 76] by B. W. Freeman who makes all contracts, and whose obligations under the said contracts are his own obligations."

It further alleges that it "is not a proper party to this litigation and should be dismissed therefrom". No reply or other pleading has been filed to the answer of The Louis G. Freeman Company.

In view of the findings and rulings hereinafter made, the court is of opinion that the defendant, The Louis G. Freeman Company, should be dismissed from this action with its costs. All references hereinafter made to the defendant will be made, and will apply, to defendant, Benjamin W. Freeman.

In his answer Benjamin W. Freeman admits certain allegations of the bill and denies others. Included with his answer are two counterclaims. As will presently appear, it is unnecessary to discuss the issues raised by the bill of complaint and the answer thereto and the first counterclaim and reply thereto, although reference to some allegations therein contained may be necessary in order to ascertain certain facts which are pertinent to the issue now before the Court, particularly as all of the allegations of the first counterclaim are re-affirmed (but not re-written) in the second counterclaim.

In his second counterclaim defendant, Benjamin W. Freeman, alleges patent infringement upon the part of plaintiff [fol. 77] herein of the patents involved in the license contract referred to by plaintiff in its bill of complaint. Defendant alleges that that contract has been rightfully cancelled and prays for an injunction restraining plaintiff "from directly or indirectly causing to be made, selling or causing to be sold, or using or causing to be used, or contributing to the use by others of any devices or products made in accordance with or embodying or employing the inventions of the said Re-issue letters patents Nos. 20,202, 20,203, and 20,206, or any of them, or from infringement upon or violating the said letters patent or any of them in any way whatever."

Defendant prays also for an accounting from the date of the cancellation of the contract.

On August 25, 1937, plaintiff filed its reply to defendant's first and second counterclaims. In reply to the second counterclaim plaintiff plead the license contract, referred to in its bill of complaint. The second counterclaim on behalf of defendant and plaintiff's reply thereto raise the issue of the existence of a license agreement between the parties. Amended pleadings on other points have been tendered but, as yet, have not been filed because, on June 1, 1938, the parties hereto, by their respective counsel and with the approval of the court, entered into a certain stipulation. The original of this stipulation was filed in this court on June 1, 1938. It was made a part of the record at the trial be- [fol. 78] ginning November 17, 1938 (Rec. P. 1). It read as follows: "It is stipulated and agreed by and between counsel that the issue of the existence of a License Agreement between the parties shall be tried first and separately, under Equity Rule 29, and that the case proceed to trial without amendments to the pleadings at this time.

It is further agreed that counsel for the defendants has been fully apprised of the subject matter sought to be pleaded and that said subject matter may be tendered as evidence subject to objection as to the competency of such matters at all, but not subject to any objection on the ground that defendant has not been apprised as to them or that plaintiff has not properly pleaded them.

It is further understood that the court will not pass upon the filing of the pleadings submitted this morning at this time, but will defer its rulings with the agreement that if the court later holds that they may be filed, it may be done without prejudice to the rights of plaintiff or defendant and may be filed as of the date of this stipulation." Thus, as already indicated, the only issue at present before the court is that of the existence or non-existence of the license contract.

There appears to be some slight confusion in the minds of counsel as to just what documents now before the court raise this issue. In their brief (P. 2) counsel for defendant [fol. 79] say "the present issue arises on the original bill and answer, the third counterclaim of the defendant, and the plea of license in the plaintiff's reply to this counterclaim." Also on page 3 of their brief counsel for defendant make reference to the "third counterclaim".

In their reply brief counsel for plaintiff (P. 1) say "We are unaware of any third counterclaim. Probably the second counterclaim is meant."

The record (Pp. 10, 11, 12) shows that, at the trial, the following statements were made:

"The Court: I just wanted to check these over. I have the bill of complaint filed June 3, 1937, the answer of The Louis G. Freeman Company filed June 18, 1937, and the answer of B. W. Freeman, filed June 18, 1937.

"Mr. Allen: With three counterclaims.

"The Court: Does that contain the counterclaims?

"Mr. Allen: Two counterclaims, yes.

"The Court: And the plaintiff's reply to the first counterclaim, filed August 25, 1937.

"Mr. Allen: That is correct.

"The Court: The issue comes up, then, on the counterclaim and plaintiff's reply to the first counterclaim, is that it?

"Mr. Porter: Yes, your Honor.

"The Court: All right. That is all the pleadings, then, I will have to consider at this time, just the first counter-[fol. 80] claim and the reply thereto.

"Mr. Allen: Well, what it comes up on is, the only pleading it comes up on hasn't got anything to do with anything except the question of whether there is a license between the parties, and our first counterclaim involves a good many different things. Our second counterclaim is the patent infringement suit that we brought against these people because we contend they went on after the license was cancelled.

"The Court: Plaintiff's reply was filed on August 25, 1937, plaintiff's reply to the first counterclaim.

"Mr. Allen: In the reply to the second counterclaim is where he sets up license, in the reply to the second counterclaim.

"The Court: You have only two counterclaims?

"The Court: I am trying to get down to what I have to consider. All I have to consider is the second counterclaim and the reply thereto.

"Mr. Allen: Yes, and the bill of complaint insofar as it sets up that the license was cancelled.

"The Court: This answer of Louis G. Freeman Company hasn't anything to do with this matter at this time.

"Mr. Allen: No."

The court agrees with counsel for plaintiff that defendant's counsel are evidently referring throughout to second [fol. 81] counterclaim (there appears to be no third counterclaim) and the court has so treated the pleadings in its consideration of the present issue.

From a consideration of all of the evidence and the applicable law, discussed by counsel in their briefs and arguments, the court has reached certain determinations which are set forth fully in its findings of fact and conclusions of law. It would serve no useful purpose to here enter upon a lengthy recital of the facts nor to discuss the contentions of the respective parties as to the law. The facts as well as the views of the court as to the law are sufficiently disclosed in its findings and conclusions. They are as follows:

Findings of Fact

1. Plaintiff, Bee Machine Company, is a corporation duly organized and existing under the laws of the Commonwealth of Massachusetts.

2. Defendant, Benjamin W. Freeman, is a resident and citizen of Cincinnati, Ohio. Defendant, Louis G. Freeman Company, is a corporation duly organized and existing under the laws of the State of Ohio.

3. On November 29, 1933, defendant, Benjamin W. Freeman, in writing granted plaintiff, Bee Machine Company, a non-exclusive license to manufacture dies, anvils and masks for making cut-outs for fitted shoe uppers embodied in Freeman patent No. 1,681,033 (Ex. J-1), George Knight [fol. 82] patent No. 1,886,554 (Ex. J-2), Thomas Reissue Patent No. 17,085 (Ex. J-4), all owned by the defendant Benjamin W. Freeman, and Joseph Knight patent No. 1,584,230 (Ex. J-3) under which Freeman had the right to grant licenses, limited however to the New England States and New York State—as embodied in the agreement (Ex. I).

4. The license agreement was prepared by Freeman's attorney and is a standard form of license granted by Freeman under his cut-out die patents. Plaintiff was represented by counsel in connection with the signing of the license agreement. It was prepared in June, 1933, and not finally executed by plaintiff until Nov. 1933 (Rec. Pp. 286-287).

5. Clause 10 of the license agreement (Ex. I) reads as follows: "10. This license may be cancelled by the Licensor for cause or breach of condition by the Licensee upon first giving thirty (30) days written notice of the cause or breach complained of, and if not corrected within said time, a further written notice of cancellation may be sent by registered mail by Licensor cancelling this license within an additional thirty (30) days from said second notice, but such cancellation shall not affect the right of Licensor to collect royalties then due."

6. By a letter (Ex. AA) dated September 25, 1936, defendant notified Bee Machine Company that under Clause 10 of the agreement there had been instances of breach of [fol. 83] the agreement and that unless corrected within thirty days the license would be cancelled.

7. The running of time of thirty days following the first notice of cancellation referred to above (Finding No. 6) was suspended by an Arbitration Agreement entered into between the parties, dated October 20, 1936 (Ex. M-8). Setting of the arbitration was had on November 12, 1936, which was attended by the parties and their counsel. Because of some alleged misunderstanding, at that time, regarding the relationship of the named arbitrator to the parties, the arbitration did not proceed and was cancelled

(Rec. Pp. 128 et seq.—194 et seq.).

8. Plaintiff on November 17, 1936, filed suit against defendant, B. W. Freeman in the Massachusetts State Courts seeking to enjoin him from cancelling the license contract, and obtained a temporary order to that effect (Rec. Pp. 196, 197, Ex. 21 identification). In May 1937, this proceeding was dismissed (Rec. P. 200) for want of jurisdiction over the defendant, and thereupon by letter dated May 13, 1937, (Ex. C. C.), defendant B. W. Freeman, gave notice that the license contract would be terminated in thirty days from said date. Within said thirty days, to-wit, on June 3, 1937, the plaintiff filed the bill herein, in this court.

9. Defendant, B. W. Freeman, filed his answer to the bill of complaint, and certain counterclaims. The second counterclaim is a suit for injunction by defendant, B. W. Free- [fol. 84] man, due to alleged infringment of the patents of said defendant since the cancellation of the contract. The

patents in suit (on the counterclaim) are Reissue 20,202 (Ex. K-1) and 20,203 (Ex. K-2) of Freeman, and Re 20,206 (Ex. K-3) of George Knight, same (Ex. K-1 and K-2) being reissues of patent No. 1,681,033 and (Ex. K-3, 1,886,554, which had been listed in the license agreement. To this counterclaim plaintiff filed, among other things a plea of license under said reissue patents by virtue of the aforesaid license agreement. In a written stipulation (Rec. P. 1) signed by counsel for the respective parties hereto and filed herein on June 1, 1938, it was agreed that this issue of license be tried separately and prior to the other issues in the case. (The stipulation as heretofore set out in full is adopted by the court and made a part of these findings without repetition here).

10. The license contract between defendant and plaintiff was granted as part of a settlement of a patent suit brought by defendant B. W. Freeman, against plaintiff in the U. S. District Court in Boston, Mass., on his (Freeman's) patent No. 1,681,033. Plaintiff satisfied the claim of the defendant for past infringement in said litigation, in addition to accepting the said license contract (Ex. I), whereupon the said patent suit was dismissed.

11. Difficulty between the parties as to the license began [fol. 85] late in 1934, when reports for royalties and payment thereof were delayed so that defendant had to write and wire with regard to them (Exhibits 8, 9, 10, 11a, 11b). In March 1935 plaintiff submitted a report on dies sold, together with royalty check therefor, in which report an arbitrary amount had been deducted from the sales price of each die before calculating the royalty thereon (Ex. M-1 and M-2). There was no explanation made to defendant in connection with this report and it was accepted as genuine. Another such report containing an arbitrary deduction was rendered to defendant by plaintiff for June 1935, without explanation.

12. No reports were submitted after that until on September 14, 1935, when plaintiff submitted a revised report restating all previous reports and claiming an overpayment (Ex. M-2) with a letter (Ex. M-3). The letter purported to explain the report as being one which was to take care of dies sold but not paid for because of "bankruptcy, discounts or otherwise". Defendant replied with a letter (Ex.

14) dated September 27, 1935. In this letter defendant stated he did not understand "just what you are driving at" and insisted upon his regular royalties. He refused to permit any deduction.

13. For the months of July and August, 1935, plaintiff submitted apparently regular reports, paid the royalties and they were accepted. For the months of September and [fol. 86] October 1935, plaintiff submitted apparently regular royalty reports, paid the royalties and they were accepted. These reports, like the March and June reports, in reality stated as the sales prices on which royalty was calculated, sums 20% less than the true sales prices.

14. After October, 1935, no royalty reports were received by defendant, B. W. Freeman, from plaintiff until February 1936, when reports were submitted for November, and December, 1935, and January, 1936, but without royalty check. Said reports (Ex. M-4) contained a slip stating "The check is not included, as we are crediting the amount of it against past overpayments."

15. Thereupon defendant Freeman visited the factory of the plaintiff and later plaintiff sent in a report (Ex. M-5) for February 1936, with further deduction and tendering a check for $54.15. This check was returned by defendant to plaintiff with a letter (original Ex. P. Copy in Ex. M-5) dated March 24, 1936.

16. What defendant found from his visit to plaintiff was that plaintiff was deducting from the sales price received by it for each die a sum of 20% before the royalty due under the contract was calculated and that this had been the basis for the revised report, (Ex. M-2).

17. Thereafter plaintiff sent reports for March and April to defendant with check (Rec. Pp. 189-190) to cover. These [fol. 87] reports (Ex. M-7) were fair on their face but defendant wired to inquire if they included the 20% deduction, and having received no reply retained the checks (marked Ex. 15 and 16 for identification. Rec. P. 190). Subsequently a report (Ex. M-7) for May 1936, was sent to defendant with a check (Rec. P. 190—Ex. 17 for identification) which he also retained. The retained checks have not been cashed (Rec. P. 190—Exs. 15-16-17 for identification).

18. Thereafter no reports were submitted to defendant and on Sept. 25, 1936, the letter of cancellation (Ex. AA) hereinabove (Finding No. 6) referred to was sent by defendant to plaintiff.

19. Plaintiff (by Mr. Burke, President and Treasurer—Rec. Pp. 31, 128 et seq., 194 et seq.) then came to Cincinnati, and at Cincinnati mailed reports for June, July, August and September, 1936, to defendant, on October 20, 1936 (Ex. 23), at which date the arbitration agreement (Ex. M-8) hereinabove (Finding No. 7) referred to was entered into.

20. The contract contains no provision giving plaintiff the right to deduct 20% from sales prices of its dies before calculating royalty. This is the amount which it adds in making up the sales price of dies made under the Freeman contract over the price on dies not made under this contract.

21. Plaintiff has offered defendant, B. W. Freeman, as payment covering the accounts of June, July, August and [fol. 88] September 1936, a sum equal to 15% of $2.50 on all mask type dies sold by plaintiff, and nothing for anvil dies sold by plaintiff. This is not in accordance with the contract.

22. Plaintiff has made no accounts, at all since those submitted previous to the arbitration contract, and paid no money whatever to B. W. Freeman since June 1936.

23. Plaintiff did not make good the default called to its attention by the first notice of cancellation on September 25, 1936 (Ex. AA) prior to the receipt of the second notice of default on May 13, 1937 (Ex. C. C.).

24. In June 1936, plaintiff by virtue of reports from which deductions were taken, had paid or offered to pay to defendant 20% less than it was required to pay under the license contract. After June 1936 plaintiff did not offer to pay anything whatever to defendant up to and including the date of the filing of the Bill of Complaint herein. Accordingly plaintiff was in default of royalties in September 1936, when the first notice of cancellation was given. It was further in default in May 1937, when the final notice was given.

25. Plaintiff has advanced no reason whereby it could be assumed that it (plaintiff) understood the contract in suit

warranted the deduction of 20% before payment of royalties. There was no misunderstanding between the parties as to interpretation of the agreement. The failure to pay [fol. 89] adequate royalties was purely arbitrary.

26. No other licensee of Freeman ever contended that he could deduct 20% before calculating royalties, from the sales prices of dies sold under similar licenses. A complete review of the invoices of three licensees having like contract to that of the plaintiff, shows that no such deductions had been taken without the defendant's knowledge.

27. The license contract (Ex. I) was cancelled by defendants, Benjamin W. Freeman for cause or breach of condition justifying the cancellation upon his (Freeman's) part. (In their reply Brief counsel for plaintiff say—Pp. 1 and 2 "That Freeman attempted to cancel the contract is admitted. That the contract was cancelled for cause is denied. The principal question in the case is whether the plaintiff has given 'cause or breach of condition' justifying the attempted cancellation by Freeman.")

Conclusions of Law

1. Plaintiff, Bee Machine Company, failed to pay the royalties due defendant Freeman, up to September 25, 1936, when the first notice of cancellation was sent by defendant. What it paid it paid on the basis of a claimed deduction which was unauthorized by the contract. For a period from May 1936 to May 1937, when the contract was finally can- [fol. 90] celled it paid no royalties whatever to defendant. Defendant rightfully cancelled the contract as provided for therein, on account of these breaches.

2. Plaintiff was not excused from continuing to report and pay royalties under the contract following the first notice of cancellation thereunder.

3. There being an express provision for cancellation by defendant in the license contract, and the breach of plaintiff being without valid excuse, but instead being one which properly led defendant to understand that plaintiff had no intention of living up to his contract, the contract was properly cancelled by defendant.

4. The terms of the contract as to royalties are clear and distinct, and there was no misunderstanding between the

parties as to the meaning of the contract, which in law might excuse failure to pay the royalties called for.

5. The failure of plaintiff to pay royalties on dies sold by him which were ultimately not paid for, was an additional breach of the contract, and the plain terms thereof, which taken with the other breaches confirms the correctness of defendant's cancellation of the contract according to its terms.

6. The decision in Premier v. Freeman, 84 Fed. (2d) 425 came after breaches whereby defendant had the right to cancel the contract, and on account of which the cancellation was made, and hence it has no effect here on the [fol. 91] propriety of the cancellation. This is particularly so since plaintiff made no offer whatever to pay any royalties whatever under the contract from the date of the decision until the date of trial of this cause.

7. The license contract in suit provides no warrant whatever according to its terms for plaintiff to pay on mask type dies only a royalty on the mask plate alone, where the dies were sold as a unit with the mask plate attached. Whether or not plaintiff would have to pay royalty on a complete die if it sold a mask type die as an infringer, it cannot in law maintain its contract with Freeman and refuse to pay according to its terms.

8. The license contract (Ex. I) was cancelled by defendant, Benjamin W. Freeman, for cause or breach of condition justifying the cancellation upon his (Freeman's) part.

9. Defendant, The Louis G. Freeman Company, should be dismissed with its costs. The prayer of defendant, Benjamin W. Freeman, as based upon the allegations contained in his second counterclaim is granted.

Decree accordingly.

• • • • • • •

[fol. 92] June 6, 1941.

Dike, Calver & Gray, 350 Tremont Bldg., Boston, Mass.
Kunkel & Kunkel, Fountain Square Bldg., Cincinnati, Ohio. Allen & Allen, Gwynne Bldg., Cincinnati, Ohio.

Re: Bee Machine Co. v. *Freeman et al., No. 8566*

GENTLEMEN:

The court today entered order affirming the decree of the lower court, copy of which I enclose herewith. No opinion was filed.

Yours very truly, J. W. Menzies, Clerk.

[fol. 93] UNITED STATES CIRCUIT COURT OF APPEALS, SIXTH CIRCUIT

No. 8566

BEE MACHINE COMPANY, Appellant,

v.

BENJAMIN W. FREEMAN and THE LOUIS G. FREEMAN COMPANY, Appellees

Before Hicks, Simons and Hamilton, JJ.

JUDGMENT—Filed June 6, 1941

This cause was heard upon the transcript of record, briefs and argument of counsel, and on consideration whereof,

It Is Ordered, Adjudged and Decreed that the decree appealed from be and the same is affirmed upon the grounds and for the reasons set forth in the opinion of the District Court, including its findings of fact and conclusions of law filed August 14, 1939.

Approved for Entry.

Xen Hicks, Circuit Judge.

[fol. 94] In United States District Court, District of Massachusetts

[Title omitted]

Notice of Motion to Amend Complaint and Amended Complaint

The plaintiff moves the Court to amend its complaint herein to add an Action for Treble Damages under the Anti-Trust Laws of the United States attached hereto.

Cedric W. Porter, James W. Sullivan, Attorneys for Plaintiff.

James W. Sullivan, Security Trust Building, Lynn, Massachusetts.

To Nathan Heard, Heard, Smith & Tenant, 77 Franklin Street, Boston, Massachusetts:

Please take notice that the undersigned will bring the above motion on for hearing before this court, Federal Building, Boston, Massachusetts at the motion session, on the 15th day of September 1941 at 2 P. M. in the afternoon of that day, or as soon thereafter as counsel can be heard.

Cedric W. Porter, James W. Sullivan, Attorneys for Plaintiff.

[fol. 95] Added Amended Complaint for Treble Damages Under the Anti Trust Laws of the United States

1. The Action arises under the Anti-Trust Laws of the United States, Title 15 U. S. Code, Sections 1-27, and particularly Section 15 thereof, to recover three-fold the damages sustained by the plaintiff and the costs of the suit, including a reasonable attorney's fee.

2. The plaintiff is engaged in the business of manufacturing and selling dies used in shoe manufacture and particularly cut-out dies, which dies are sold and distributed by the plaintiff in commerce among the several states. "Cut-out dies" are dies used in shoe machines for making perforations, holes or "cut-outs" in the uppers of shoes for purposes of decoration, particularly women's shoes. The defendant is the owner of, (or licensee under, with the right to grant sub-licenses) United States Letters

Patent, which the defendant represents cover anvil dies, whether with or without masks, and flat bed dies when used with a mask, used in making "cut-outs". The defendant licenses the principal cut-out die manufacturers of the United States to make and sell cut-out dies to shoe manufacturers, on payment to the defendant of a 15% royalty based on the selling price of the die, and represents to shoe manufacturers that they can buy and use only cut-out dies [fol. 96] obtained from the defendant's licensees.

3. The defendant has always recognized the flat bed die even when used to make cut-outs in fitted uppers, to be unpatented and hence public property, but the defendant represents that when a "mask" (a flat sheet of metal hinged to the die which acts as a clamp for holding the work on the die and as a gauge for locating the work with respect to the die) is added to the die, it then becomes a Freeman monopoly, and that the licensee must pay royalty to the defendant on the entire die, including the old and unpatented flat bed die, and that the shoe manufacturer can obtain such dies only from defendant's licensees.

4. On June 3, 1936, in a patent infringement suit brought by the defendant Freeman against Premier Machine Company of Boston, Massachusetts, under Freeman patent No. 1,681,033, the United States Circuit Court of Appeals for the First Circuit, (reported in 84 F. (2d) 425), held the said Freeman patent invalid with regard to the anvil die, but upheld three claims relating to the mask. The defendant then disclaimed all claims relating to the anvil die. By reason of this decision and disclaimer, the anvil die became public property free from any patent monopoly. Nevertheless, the defendant continues to represent that anvil dies, whether with or without masks, are still the defendant's monopoly, and that licensees must continue paying royalties [fol. 97] thereon to the defendant under pain of having their licenses cancelled, and continues to represent to shoe manufacturers that such anvil dies whether used with or without masks, can be legally obtained only from the defendant's licensees.

5. Further, as an additional cause of action, the defendant or its authorized agent and licensee, leases or sells, and licenses shoe manufacturers to use, defendant's (or its authorized agent's) cut-out machines and combined cut-out

and marking machines, on the condition and understanding that the lessee or purchaser thereof shall not use, or deal in the goods, machinery, supplies, and particularly cut-out dies, including anvil and flat bed dies and combined cut-out and marking dies, used in such machines, made by any competitor of the defendant, or its licensees. The effect of such lease or sale on such a condition or understanding is to substantially lessen competition or to tend to create a monopoly in anvil and flat bed dies and combined cut-out and marking dies—in violation of the Anti-Trust Laws of the United States, Title 15, U. S. Code, Section 14 (commonly known as the Clayton Act).

6. As a result and by these means, the defendant has restrained trade and commerce among the several states in unpatented cut-out dies, and has largely monopolized the trade and commerce in such dies, and has substantially lessened and suppressed competition in such dies, and has [fol. 98] greatly injured the plaintiff's interstate commerce and business in such dies, whereby the plaintiff has suffered damages in a sum in excess of $50,000.00, which the plaintiff endeavors to recover three-fold under Title 15, U. S. Code, Section 15.

Wherefore, plaintiff demands judgment against defendant in the sum of $50,000, three-folded to not less than $150,000.00, and the costs of this suit, including a reasonable attorney's fee.

Bee Machine Co., Inc., by Cedric W. Porter, Dike, Calver & Porter, Its Attorneys.

James W. Sullivan, Security Trust Bldg., Lynn, Massachusetts.

George P. Dike, Cedric W. Porter, Dike, Calver & Porter, 73 Tremont Street, Boston, Massachusetts.

Plaintiff hereby demands a trial by jury of any issue herein triable of right by a jury.

Dike, Calver & Porter, Attorneys for Plaintiff.

[fol. 99] *Duly sworn to by Vincent W. Burke. Jurat omitted in printing.*

[fol. 100] IN UNITED STATES DISTRICT COURT

OPINION—October 6, 1941

BREWSTER, J.:

In this action defendant has moved for a summary judgment under Rule 56 of Federal Rules of Civil Procedure. The motion is based on the doctrine of res adjudicata, the defendant contending that all genuine issues of facts raised by the pleadings have already been adjudicated in a suit in equity, brought by this plaintiff against this defendant and another, in the Federal Court in the Southern District of Ohio. The motion was submitted on the pleadings and affidavits which included copies of the records of the Ohio court.

No genuine issue exists respecting the following facts. The defendant entered into a license contract with the plaintiff, dated November 29, 1933, whereby the plaintiff was licensed to manufacture and sell certain devices under Letters Patent of the United States owned or controlled by defendant. This license agreement contained these paragraphs:

"10. This license may be cancelled by the Licensee upon first giving thirty (30) days written notice of the cause or breach complained of, and if not accorded within said time, a further written notice of cancellation may be sent by registered mail by licensor cancelling this license within an additional thirty (30) days from said second notice, but such cancellation shall not affect the right [fol. 101] of licensor to collect royalties then due."

"12. Licensor agrees that if in the future he should develop or acquire improvements in the dies, anvils, and masks licensed herein that the Licensee shall have the right subject to the conditions of this license, to use the same without additional royalty, and the licensee agrees that if it develops or acquires any such improvements that it will grant the Licensor * * * if requested to do by the Licensor, a right to employe the same without charge * * *."

One of the patents in the license agreement was subsequently declared invalid as to many of its claims.

(*Premier Machine Co., Inc.* v. *Freeman*, 84 F. (2d) 425.)

On September 25, 1936 the defendant gave to the plaintiff the first 30-day notice required by paragraph 10 above. The breach charged was failure to furnish complete royalty returns and to pay the stipulated royalties. After an attempted arbitration had failed, a second notice was given on May 13, 1937 cancelling the contract for breach of its conditions.

On June 3, 1937 the plaintiff filed in the United States District Court at Cincinnati a bill of complaint, praying for injunctive relief against the attempted cancellation, for an accounting to establish the royalties due, and for an order to compel the defendant to comply with the provi- [fol. 102] sions of the license set forth in paragraph 12, above noted. In the bill plaintiff alleged the execution of the license contract, an overpayment of royalties, the failure of defendant to carry out his agreements respecting future developments and improvements and other wrongful acts of defendant calculated and intended to injure the plaintiff in its business. The defendant, in his answer, denied these allegations, except as to the execution of the contract, and also counter-claimed for royalties due before cancellation and for infringement thereafter.

Before hearing, the parties entered into a stipulation agreeing that the issue of the existence of a license agreement between the parties should be tried first under Equity Rule 29, the case to proceed without amendment to the pleadings at that time. The court heard the parties and thereafter submitted findings of fact and conclusions of law in a written opinion which was subsequently adopted by the Circuit Court of Appeals for the Sixth Circuit in affirming the decree of the court entitled an "Interlocutory Judgment." In this judgment it was adjudicated and decreed that the original bill be dismissed, that amendments be allowed and the amended bill dismissed; that the license was legally cancelled for breach of conditions justifying cancellation. The first counter-claim was allowed in part and the matter referred to a master for an accounting, and [fol. 103] the second counterclaim for infringement was reserved for further hearing. A motion by plaintiff to file a supplemental bill was denied without prejudice to plaintiff's rights to bring to the attention of the court, by appropriate proceedings, "any infraction of its rights which it believes the defendant has committed or is committing

in connection with representations or threats to the trade or plaintiff's customers."

From an examination of the findings and conclusions of the court, it is clear that the only issues concluded by the judgment were whether the plaintiff had breached the license by failing to pay the royalties required by the license entitling the defendant to cancel the contract pursuant to its terms, and whether the defendant had taken appropriate steps to terminate it. On these issues turn the single issue as to the existence of a license agreement between the parties, the only issue tried according to the stipulation. The decision went for the defendant. Other issues, such as an accounting respecting royalties due prior to cancellation and infringement thereafter, were left open, as also was the question whether defendant had invaded plaintiff's rights by threats or representations to the trade and plaintiff's customers.

Turning now to the case at bar, the action was removed from the State court. It is an action of contract, brought to recover damages for alleged breach of contract, namely,— [fol. 104] the license agreement. The declaration sets forth the material portions of paragraph 12 of the license quoted above; the failure of the defendant to give to plaintiff the right to use, manufacture and sell certain improvements in the licensed devices which defendant had developed or acquired; the refusal of defendant to furnish plaintiff with "necessary drawings and model parts required for the manufacture of the said improvements." The plaintiff also, in its declaration, charges defendant with facilitating and encouraging other licensees in the same territory in the manufacture and sale of said improvements; with representing to the trade and to plaintiff's customers that plaintiff was not licensed to manufacture and sell said improvements, and intimating that anyone purchasing such improvements from plaintiff would be subjected to litigation instituted by the defendant.

The plaintiff, in its declaration, asserts that the license imposed legal obligations upon the defendant to secure to plaintiff the full enjoyment and benefit of the license and to refrain from acts resulting in an impairment of the value of the rights and privileges granted to plaintiff by said license. The alleged violations of this duty are (1) failure and refusal of defendant to prevent unauthorized

manufacture and sale of the licensed device; (2) by granting to other licensees the right to sell to plaintiff's customers [fol. 105] but not to customers of other licensees; and (3) other wrongful acts intended to diminish and destroy the value of the license,—all resulting in substantial damage.

Defendant, in his answer, pleads res adjudicata and denies the allegations of the declaration except the existence of the license and the allegations respecting the 12th paragraph. He alleges the cancellation of the license for breach of conditions.

The pleadings here, no doubt, raise issues of material facts. The question presented is whether they can be deemed genuine issues when considered in the light of material facts, above recited, which are established by the record and concerning which there is, and can be, no genuine issue.

It is the defendant's contention that enough has already been adjudicated to defeat the plaintiff's right to recover in this action, even if all the findings in the earlier suit were not necessarily involved in the decision of the court. This contention is based on the doctrine that a party who breaks a contract cannot recover upon it unless the broken promise is independent of the promise which he seeks to enforce. The rule obtains in this circuit.

McNeal-Edwards Co. v. *Frank L. Young Co.*, 51 F. (2d) 699;

Roig v. *Electrical Research Products, Inc.*, 57 F. (2d) 639;

[fol. 106] *Penley Bros. Co.* v. *Hall*, 84 F. (2d) 371.

This action is in contract. The alleged cause of action arises wholly from the license agreement. It must be construed as imposing upon the parties reciprocal rights and obligations. It does not create independent promises. The rule applies, and the breach by plaintiff, the adjudication of which is conceded, precludes recovery.

The plaintiff, however, would invoke the well-recognized rule that only those facts become adjudicated which were necessarily the basis of the relief, denial of relief or other ultimate rights established by the judgment,

Olsen v. *Olsen*, 294 Mass. 507;

Cambria v. *Jeffrey*, 307 Mass. 49,

or were, under appropriate pleadings, actually passed upon.

Sandler v. *Silk et als.*, 292 Mass. 493, 498.

The plaintiff argues that all that was adjudicated was whether the license was legally terminated. Undoubtedly that is so, not because of that part of the judgment denying equitable relief but because of the stipulated issue submitted, and that part of the judgment which orders, adjudges and decrees that the license agreement was properly cancelled by the defendant "for cause or breach of condition by the plaintiff justifying the cancellation upon his (Freeman's) part." Since non-performance by one party excuses non-performance by the other in the case of a bilateral contract containing mutual promises (Federal [fol. 107] law contracts, sec. 471), it is difficult to see how the court could have concluded that the cancellation was justifiable without passing upon the defendant's failures, alleged as grounds for denying his right to terminate the license.

The facts established beyond controversy prevent a recovery in this action. No genuine issue of a material fact remains to be considered.

A summary judgment in favor of the defendant may properly be entered. It is so ordered.

IN UNITED STATES DISTRICT COURT

OPINION—January 16, 1942

BREWSTER J.:

The plaintiff brought an action of contract against the defendant in the State court. The action was based solely upon alleged breach of defendant's agreements contained in a license agreement relating to the manufacture and sale of devices covered by Letters Patent owned or controlled by the defendant.

This action was removed to this court where the defendant moved for a summary judgment under Rule 56 of the Federal Rules of Civil Procedure. This motion, after hearing, was allowed on the ground that the doctrine of res adjudicata applied. On the day before the hearing on de- [fol. 108] fendant's motion for a summary judgment, the plaintiff filed a motion to add to its complaint a new cause of action. The hearing on defendant's motion proceeded nevertheless, but an entry of a summary judgment for the defendant was suspended to await action upon plaintiff's motion to amend. The parties have now been heard upon this motion, which is entitled—"Added Amended Com-

plaint for Treble Damages Under the Anti Trust Laws of the United States." The first paragraph is as follows:

"1. The Action arises under the Anti-Trust Laws of the United States, Title 15 U. S. Code, Sections 1-27, and particularly Section 15 thereof, to recover three-fold the damages sustained by the plaintiff and the costs of the suit, including a reasonable attorney's fee."

Then follow allegations charging a monopoly denounced by the anti-trust laws and a demand for judgment against the defendant for three-fold damages.

The question presented is whether this amendment should be allowed.

There can be no doubt that the added amendment presents a cause of action entirely distinct from the original. It cannot even be treated as a supplemental complaint under Rule 15(b) of the Federal Rules of Civil Procedure as it does not set forth transactions or occurrences or events which happened since the date of the bringing of the suit. [fol. 109] This court has jurisdiction under the anti-trust laws over a non-resident only if he is found in the district or has an agent therein. (15 U. S. C. A. 15) The defendant while in the Commonwealth was served with process in a common law action of contract. The plaintiff obviously seeks to take advantage of this fact in order to obtain jurisdiction over the person in a suit involving a new and entirely different subject-matter, namely,—the enforcement of rights arising under federal statutes. In these circumstances a court might well manifest reluctance to take jurisdiction. However, there are other and more cogent reasons why the plaintiff's motion should not be allowed.

The rights and remedies which plaintiff now seeks to enforce spring exclusively from federal statutes.

Geddes v. Anaconda Copper Mining Company, 254 U. S. 590, 593;

See also—

United States v. Cooper Corporation, 312 U. S. 600.

Actions based solely upon the Federal Anti-Trust laws can be brought only in the Federal courts.

Lambert Run Coal Co. v. Baltimore & Ohio Railroad Co., 258 U. S. 377, 382;

General Investment Co. v. Lake Shore & M. S. Ry. Co., 260 U. S. 261, 286.

See also—

Southern States Oil Co. v. Standard Oil Co. of N. J., 26 F. Supp. 633, 634.

[fol. 110] The jurisdiction of the Federal court in an action removed from the State court is derivative, and if the State court was without jurisdiction to entertain the cause of action set up in plaintiff's motion, then this court is also without jurisdiction.

Lambert Run Coal Co. v. Baltimore & Ohio Railroad Co., supra;

General Investment Co. v. Lake Shore & M. S. Ry. Co., supra;

Carroll v. Warner Bros. Pictures, Inc., 20 F. Supp. 405.

In the *General Investment Co.* case the court observed (page 288):

"When a cause is removed from a state court into a federal court the latter takes it as it stood in the former. A want of jurisdiction in the state court is not cured by the removal, but may be asserted after it is consummated."

In that case, so much of the bill as based the right to relief on the Anti-Trust Laws was dismissed for want of jurisdiction.

In the *Carroll* case the court was dealing with an amended complaint, and it was there held that a plaintiff could not plead after removal an additional cause of action over which the state court would not have had jurisdiction in the first instance.

It follows from the foregoing that if the plaintiff is allowed to add the cause of action alleged in its motion, the amended complaint would be subject to successful attack on [fol. 111] jurisdictional grounds. For that reason there would seem to be no room for the exercise of discretion on the part of the court.

The motion is, therefore, denied without prejudice to plaintiff's right to seek redress by suit brought originally in the Federal court.

A summary judgment for the defendant may now be entered in the pending action in conformity with my opinion, filed October 6, 1941.

IN UNITED STATES DISTRICT COURT

SUMMARY JUDGMENT—January 16, 1942.

BREWSTER, J. In accordance with the opinion of the court handed down this day in the above entitled action, it is Ordered

Judgment for the defendant in conformity with the opinion of the court filed October 6, 1941, herein, and for his costs taxed at $———.

By the Court:

John E. Gilman, Jr., Deputy Clerk.

Entered Jan. 16, 1942.

[fol. 112] IN UNITED STATES DISTRICT COURT

APPELLANT'S STATEMENT OF POINTS TO BE RELIED ON—March 16, 1942

Plaintiff-Appellant, Bee Machine Co. Inc. will rely upon the following points on its appeal:

1. The District Court erred in entering summary judgment dismissing the Complaint as res adjudicata.
2. The District Court erred in denying Plaintiff's motion to amend the complaint to add an Action for Trebled Damages Under the Anti-Trust Laws of the United States.

Dike, Calver & Porter, Attorneys for Plaintiff-Appellant, 73 Tremont Street, Boston, Massachusetts.

Boston, Massachusetts, March 16, 1942.

IN UNITED STATES DISTRICT COURT

PLAINTIFF APPELLANT'S DESIGNATION OF CONTENTS OF RECORD ON APPEAL—March 16, 1942

1. Plaintiff's Writ and Declaration—Superior Court, Essex County.
2. Papers attached to Declaration Removing Case to Federal Court.
3. Defendant's Answer.

4. Plaintiff's Demand for Jury Trial.

[fol. 113] 5. Plaintiff's Replication to Defendant's Alleged "Counterclaim".

6. Defendant's Motion for Summary Judgment and Attached Papers.

7. Affidavit of Marston Allen, dated June 25, 1941, and attached Papers.

8. Notice of Motion and Amended Complaint for Treble Damages Under the Anti-Trust Laws of the United States, filed July 9, 1941.

9. Opinion of District Court, dated October 6, 1941.

10. Opinion of District Court, dated January 16, 1941.

11. Final Judgment entered January 16, 1942.

12. Appellant's Statement of Points To Be Relied On.

13. This Designation.

Dike, Calver & Porter, Attorneys for Plaintiff-Appellant, 73 Tremont Street, Boston, Massachusetts.

Boston, Massachusetts, March 16, 1942.

[fol. 114] In United States District Court

Stipulation as to Record—Filed May 5, 1942

It is hereby agreed and stipulated by and between the parties in the above-entitled action that the foregoing printed copy of the case is a true copy of all papers and portions of the record of the District Court required to be printed and included in the record on appeal, and the clerk is hereby authorized to certify the same.

Cedric W. Porter, Dike, Calver & Porter, Attorneys for Plaintiff. Nathan Heard, Attorney for Defendant.

Boston, Massachusetts, May 2, 1942.

[fol. 115] Clerk's Certificate to foregoing transcript omitted in printing.

(Memorandum: An order of enlargement of time for docketing case to, and including, June 3, 1942, is here omitted. A. I. Charron, Clerk.)

[fol. 116] Proceedings in Circuit Court of Appeals.

On October 7, 1942, this cause came on to be heard, and was fully heard by the court, Honorable Calvert Magruder, Honorable John C. Mahoney, and Honorable Peter Woodbury, Circuit Judges, sitting.

Thereafter, to wit, on November 6, 1942, the following opinion of the court was filed:

[fol. 117] United States Circuit Court of Appeals for the First Circuit, October Term, 1942

No. 3781

Bee Machine Co., Inc., Plaintiff, Appellant,

v.

Benjamin W. Freeman, Defendant, Appellee

Appeal from the District Court of the United States for the District of Massachusetts

Before Magruder, Mahoney and Woodbury, JJ.

George P. Dike, Cedric W. Porter, for Appellant.
Nathan Heard, Marston Allen, for Appellee.

Opinion of the Court—November 6, 1942

Woodbury, J.:

On February 3, 1941, the plaintiff, a Massachusetts corporation, brought an action at law against the defendant, a citizen of Ohio, in the Superior Court of the Commonwealth of Massachusetts for breach of a contract entered into betwen them on November 29, 1933. In this action personal service was made on the defendant when he happened to be in Boston. By the terms of the contract in suit, the defendant, as the owner of certain patents, gave to the plaintiff a non-exclusive license to manufacture and sell the patented articles in New England and New York, and the plaintiff agreed to pay royalties on the articles it [fol. 118] sold and to render to the defendant periodical accounts of its sales. In the declaration filed in this action the plaintiff alleged that it had fully performed all of the

obligations imposed upon it by the contract but that the defendant had not, in that, in violation of clause 12 of the contract,[1] he had "failed and refused to furnish and deliver to the plaintiff the indispensable and necessary drawings and model parts required for the manufacture" of certain improvements in the patented articles which he had developed or acquired. In its declaration the plaintiff also alleged that the defendant had injured the plaintiff's business by providing such drawings and parts to his other licensees operating in the territory covered by the plaintiff's license, and by representing to the trade and to the plaintiff's customers that the plaintiff was not licensed to manufacture and sell the patented articles as improved and anyone purchasing such improved articles from the plaintiff would be subjected to suits for patent infringement.

The defendant, appearing specially, removed the action to the United States District Court for the District of Massachusetts on the ground of diversity of citizenship and amount in controversy; answered alleging that the issues set forth in the declaration had been previously determined adversely to the plaintiff by a final judgment entered by the United States District Court of the Southern District of Ohio, Western Division; and filed a counterclaim for damages alleged to have been sustained by him by reason of the necessity of defending himself "in this cause, most wrongfully brought". He then moved for a summary judgment under Rule 56 (b) of the Federal Rules of Civil Procedure. On the day before this motion was to come up [fol. 119] for hearing the plaintiff moved to amend its declaration by adding thereto a complaint for treble damages under the anti-trust laws of the United States.

The district court granted the defendant's motion for summary judgment and denied the plaintiff's motion to amend and thereupon entered judgment for the defendant. The plaintiff then took this appeal.

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[1] Clause 12, in so far as material here, reads as follows: Licensor agrees that if in the future he should develop or acquire improvements in the dies, anvils, and masks licensed herein that the Licensee shall have the right, subject to the conditions of this license, to use the same without additional royalty.

Federal jurisdiction on the ground of diversity of citizenship and amount in controversy is clear. Our jurisdiction over this appeal under 28 U. S. C. § 225 is equally clear.

We shall first consider the question of *res adjudicata* raised by the granting of the defendant's motion for a summary judgment. We turn, therefore, to the record of the litigation between the parties in Ohio.

It appears that in June, 1937, the plaintiff filed a bill in equity against the defendant in the United States District Court for the Southern District of Ohio, Western Division, in which it set out the contract of November 29, 1933; alleged its full compliance with the terms of that contract, and breaches thereof by the defendant. The breaches alleged were (1) that the defendant had refused to credit the plaintiff with overpayments of royalties; (2) that for the purpose of harassing the plaintiff into concessions with respect to its claim of over-payment of royalties and "to create apprehension on the part of the plaintiff that it might lose its license", the defendant, "without any justification whatever" had begun proceedings to cancel the contract according to the provisions of clause 10 thereof [2] which [fol. 120] proceedings he proposed to prosecute unless enjoined; and (3) that the defendant, in breach of clause 12 of the contract, refused to provide the plaintiff with the information necessary to enable it to manufacture the patented articles with the improvements therein which the defendant had developed or acquired. The relief asked for in this suit was for an injunction to restrain the defendant from terminating the contract; for an accounting of royalties; for an order requiring the defendant to disclose to the plaintiff the improvements which he had made so that the plaintiff might manufacture the articles as improved, and for such other and further relief as justice and equity require.

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[2] This clause in full reads as follows: This license may be cancelled by the licensor for cause or breach of condition by the Licensee upon first giving thirty (30) days written notice of the cause or breach complained of, and if not corrected within said time, a further written notice of cancellation may be sent by registered mail by Licensor cancelling this license within an additional thirty (30) days from said second notice, but such cancellation shall not affect the right of Licensor to collect royalties then due.

The defendant answered denying that he had broken the contract but alleging that the plaintiff had, and that in consequence he had the right to cancel under clause 10 above. He also filed two counterclaims, one for an accounting of royalties which he alleged the plaintiff owed him, and the other for infringement of the patents in question by the plaintiff.

Before trial counsel for the parties stipulated "that the issue of the existence of a License Agreement between the parties shall be tried first and separately". After full hearing on this issue the court, ruling "that the License Agreement between the parties was properly cancelled by the defendant, Freeman, for cause or breach of condition by the plaintiff justifying the cancellation upon his (Freeman's) part", entered a decree dismissing the plaintiff's bill of complaint. The court referred the defendant's first counterclaim, "insofar as it seeks an accounting against the plaintiff of the amounts due from the plaintiff to the defendant", to a master for hearing and report. It did not pass upon the merits of the defendant's second counterclaim but left the matter of patent infringement raised thereby "to further hearing and trial between the parties".

On appeal the United States Circuit Court of Appeals, [fol. 121] Sixth Circuit, affirmed the decree of the district court without opinion.

The plaintiff contends that the doctrine of *res adjudicata* cannot be invoked to bar it from proceeding to trial in the Massachusetts action because the decree in the suit in Ohio was only an interlocutory one. While it is true that the decree of the district court in Ohio was interlocutory, it was interlocutory only in that the issues raised by the defendant's counterclaims were not fully determined but were left for further litigation between the parties. After full hearing the court decided the only issue submitted to it under the stipulation of counsel quoted above, that is, the issue of the existence of the license contract, and it resolved that issue in favor of the defendant. That is, the court decided that although there had been at one time a contract between the parties, the defendant, Freeman, had acted within the rights conferred upon him by that contract when he cancelled it for violation of its terms by the plaintiff, Bee Machine Company. It seems to us clear that the determination of this issue by the Ohio Court was final. As to the issue before it that Court left nothing open for later

decision after further hearing, and counsel for each party appears to have been afforded full opportunity to present his case upon it. We see no reason why, as to the issue considered, the decree of the District Court for the Southern District of Ohio should not be regarded as final, for purposes of *res adjudicata*, especially in view of its affirmance on appeal by the circuit court of appeals.

We proceed, then, with our consideration of the applicability here of the doctrine of *res adjudicata* with two matters established (a) the identity of the parties in both the suit in equity in Ohio and in the action at law in Massachusetts, and (b) the finality of the decree entered in the suit in equity in so far as it determined that the contract between [fol. 122] the parties had been properly cancelled by the defendant for breaches thereof by the plaintiff.

The contract in suit is not a severable one. Looking at the instrument as a whole it is clear that the promises of the defendant, licensor, were made to depend upon the payment to him by the plaintiff, licensee, of the royalties agreed upon. *Penley Bros. Co.* v. *Hall*, 84 F. (2d) 371, 374. No part of it could be performed independently of any other part, and it is well settled that an action for damages for breach of such a contract cannot be maintained without proof of performance, or of a legally sufficient excuse for non-performance, by the plaintiff. "In promises for an agreed exchange, any material failure of performance by one party not justified by the conduct of the other discharges the latter's duty to give the agreed exchange even though his promise is not in terms conditional." *Am. Law Inst., Restatement of Contracts*, § 274. Or, as stated by this court with respect to a contract very similar to the one under consideration in the case at bar "It is well settled that a party who breaks a contract is precluded from recovering upon it, except upon proof that the part of the contract which he broke was independent of the part which he seeks to enforce." *Penley Bros. Co.* v. *Hall, supra.*

Thus, to recover in the Massachusetts action the plaintiff must prove its allegation that it had fully performed its obligations under the contract. Can it do this in the face of the decree of the Ohio Court? We take the view that it cannot.

The reason we take this view is that the Ohio Court based its decree of dismissal upon the ground that the defendant

properly cancelled the license agreement "for cause or breach of condition" by the plaintiff justifying such action. That is to say, it denied the plaintiff the relief which it sought because it concluded that the plaintiff had itself broken the contract. Clearly the plaintiff's performance [fol. 123] of its obligations under the contract was an issue raised by the pleadings on file in the case before the Ohio Court, and from the parts of the decree of that Court quoted in this opinion, as well as from its memorandum of decision, it is clear that the result which it reached was based solely upon its determination of that issue.

From this it follows that the plaintiff fails in its attempt to invoke the rule that if the second action is not for the same cause of action as the first, the first action adjudicates only such facts as are shown to have been the basis of the relief, denial of relief, or other ultimate right established by the judgment or decree in that action.

The rule applicable to the situation disclosed by the case at bar is well stated in *Am. Law Inst., Restatement of Judgments,* (Second Revise) § 68 as follows: "Where a question of fact essential to the judgment is actually litigated and determined by a valid and final judgment, the determination is conclusive between the parties in a subsequent action on a different cause of action."

We pass now to the question raised by the denial of the plaintiff's motion for leave to amend its complaint for breach of contract by adding thereto a claim for treble damages under the federal anti-trust law.

If the plaintiff had brought its action in the first place in the federal district court, it seems clear that under Rule 18 (a) of the *Federal Rules of Civil Procedure,* it could have joined a claim under the anti-trust laws to a claim for breach of contract in one complaint. See 2 *Moore's Federal Practice Under the New Federal Rules,* § 18.02. This being so, in an action begun in a federal district court, there could be no valid objection on the ground of misjoinder of actions to amending, by leave of court if necessary, (Rule 15 (a) of the *Federal Rules of Civil Procedure*) a complaint claiming for breach of contract by adding thereto a claim under the anti-trust laws. [fol. 124] But, the action in the case at bar was begun in a court of the Commonwealth of Massachusetts, a court which, although it had jurisdiction over the claim for breach of

contract, did not have jurisdiction over the claim under the anti-trust laws. 15 U. S. C. § 15; *Blumenstock Bros.* v. *Curtis Pub. Co.*, 252 U. S. 436, 440. For this reason the court below held that it did not have jurisdiction to allow the amendment because the only jurisdiction which it had derived from the jurisdiction of the Massachusetts Court.

There are authorities squarely in support of this view, (*Carroll* v. *Warner Bros. Pictures*, 20 F. Supp. 405; *Noma Electric Corp.* v. *Polaroid Corp.*, 2 F. R. D. 454), but they are not binding upon us and we decline to follow them.

The court below, and the district courts in the cases cited, reached their result by applying the rule applied by the Supreme Court in *Lambert Run Coal Co.* v. *Baltimore & Ohio Railroad Co.*, 258 U. S. 377, 382; *General Investment Co.* v. *Lake Shore etc. Railway Co.*, 260 U. S. 261, 288; and *Minnesota* v. *United States*, 305 U. S. 382, 389, which was stated by Mr. Justice Brandeis in the case last cited as follows: "If Congress did not grant permission to bring this condemnation proceeding in a state court, the federal court was without jurisdiction upon its removal. For jurisdiction of the federal court on removal is, in a limited sense, a derivative jurisdiction. Where the state court lacks jurisdiction of the subject matter or of the parties, the federal court acquires none, although in a like suit originally brought in a federal court it would have had jurisdiction."

In our opinion the above rule was misapplied by the court below.

The Supreme Court in the cases cited above had under consideration the situation presented when an action over which a state court had no jurisdiction was removed to a federal court, and it held that, the state court having no jurisdiction the federal court could acquire none upon re-[fol. 125] moval even though the federal court would have had jurisdiction if the action had originally been brought in that court. The reason for this rule appears to be that because of lack of jurisdiction there was, legally speaking, no action pending in the state court and hence no action which could be removed to the federal court.

But in the case at bar, as well as in the *Carroll* and *Noma Electric Corp.* cases, the state court had jurisdiction over the action as it stood in that court and hence there was pending before it an action which could be removed. The question here presented is whether, after the removal of the

action, it can be amended by adding a claim which the federal court has jurisdiction to try, but which the state court would have lacked if the claim had been advanced while the action was there pending. The reason for the Supreme Court rule clearly fails in cases like the present. Furthermore, allowance of the amendment would not do violence to, but would effectuate, the purpose of the section of the removal statute (28 U. S. C. § 81) which provides: "The district court of the United States shall, in all suits removed under the provisions of this chapter, proceed therein as if the suit had been originally commenced in said district court."

And the allowance of such an amendment works no undue hardship upon a defendant for, as stated in 1 *Moore's Federal Practice under the New Federal Rules* § 15.01, in criticism of the *Carroll* case: "The holding of the instant case compels the plaintiff to institute a separate action for violation of the anti-trust laws. But if this is done, and the action is brought in the federal district court where the removed action is pending the court may consolidate it with the removed action pursuant to Rule 42. Since federal jurisdiction will not be enlarged by the amendment, practical considerations justify amendment in situations of this kind." Allowing the amendment, then, provides in effect [fol. 126] only a convenient short cut to a result attainable in a more round-about way. We see no valid reason why, in the discretion of the district court, this short cut should not be taken. See the note appearing in 51 *Harv. Law Rev.* 927.

The fact that in all probability the plaintiff in the case at bar could not bring a separate action under the anti-trust laws against the defendant in the district court sitting in Massachusetts because the defendant could avoid the service of process upon him by remaining outside of the district cannot effect the jurisdiction of the court to allow the amendment. This is only a fact to be considered by the district court in exercising its discretionary power to allow or disallow the amendment. Since the court below did not exercise its discretionary power but ruled that it lacked jurisdiction to allow the amendment we must remand to that court for further proceedings.

The judgment of the District Court is vacated and the case is remanded to that court for further proceedings not inconsistent with this opinion. Neither party recovers costs in this court.

On the same date, to wit, November 6, 1942, the following Judgment was entered:

JUDGMENT—November 6, 1942

This cause came on to be heard October 7, 1942, upon the transcript of record of the District Court of the United States for the District of Massachusetts, and was argued by counsel.

Upon consideration whereof, It is now, to wit, November 6, 1942, here ordered, adjudged and decreed as follows: The judgment of the District Court is vacated and the case is remanded to that court for further proceedings not in- [fol. 127] consistent with the opinion passed down this day. Neither party recovers costs in this court.

By the Court,

(S.) Arthur I. Charron, Clerk.

Thereafter, to wit, on November 23, 1942, mandate issued.

Clerk's Certificate to foregoing transcript omitted in printing.

[fol. 128] SUPREME COURT OF THE UNITED STATES

[Title omitted]

ORDER ALLOWING CERTIORARI—Filed March 15, 1943

The petition herein for a writ of certiorari to the United States Circuit Court of Appeals for the First Circuit is granted.

And it is further ordered that the duly certified copy of the transcript of the proceedings below which accompanied the petition shall be treated as though filed in response to such writ.

(5316)

No. 707

Supreme Court of the United States.

October Term, 1942.

BENJAMIN W. FRIEDMAN,
Petitioner,

v.

BEE MACHINE COMPANY, INC.,
Respondent.

PETITION FOR WRIT OF CERTIORARI

AND

BRIEF IN SUPPORT THEREOF.

MARSTON ALLEN,
NATHAN HEARD,
Counsel for Petitioner.

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Supreme Court of the United States.

OCTOBER TERM, 1942.

BENJAMIN W. FREEMAN,
Petitioner,
v.
BEE MACHINE CO., INC.,
Respondent.

PETITION FOR WRIT OF CERTIORARI.

To the Honorable Supreme Court of the United States:

Your Petitioner respectfully shows:

Summary Statement of the Matter Involved.

The respondent in June, 1937, brought suit in the United States District Court, Southern District of Ohio, Western Division, against the petitioner, a resident of Ohio, based upon a contract entered into between the respondent and the petitioner on November 29, 1933. Trial was had and by a decision rendered August 14, 1939, Judge Nevin decreed that the said contract had been canceled by petitioner for cause or breach of condition justifying the cancellation upon petitioner's part. Appeal was taken by respondent to the Circuit Court of Appeals for the Sixth Circuit, and on June 6, 1941, the decree of Judge Nevin was affirmed by that Court without opinion.

Notwithstanding this, respondent on March 3, 1941, brought suit against petitioner in the Superior Court of Essex County, Massachusetts, in an action of contract for damages for breach by petitioner of the said contract of November 29, 1933, and secured service upon petitioner by catching him at a hotel in Boston, Massachusetts.

Diversity of citizenship thus existing, the action was removed by petitioner to the United States District Court for the District of Massachusetts, and on May 15, 1941, petitioner filed a motion for summary judgment upon the ground that the issue raised by the action was *res judicata* as a result of the decree of the United States District Court for the Southern District of Ohio, entered October 7, 1939, pursuant to the aforesaid decision of Judge Nevin. On October 6, 1941, Judge Brewster sustained the motion for summary judgment on the ground of *res judicata* by the decree of the Ohio District Court, then affirmed by the Circuit Court of Appeals for the Sixth Circuit, holding:

> "The facts established beyond controversy prevent a recovery in this action. No genuine issue of a material fact remains to be considered."

As stated by Judge Brewster:

> "On the day before the hearing on defendant's [petitioner's] motion for a Summary Judgment, the plaintiff [respondent] filed a motion to add to its complaint a new cause of action."

This proposed new cause of action was entitled: "Added Amended Complaint for Triple Damages under the Antitrust Laws of the United States," and was obviously for the purpose of substituting for the original action in contrast, which was without foundation or merit, an independent

cause of action in tort based upon alleged violation of the Federal Antitrust Laws. Hearing was had by Judge Brewster upon this motion, and by an opinion rendered January 16, 1942, he held that the jurisdiction of the Federal Court in this removed action was derivative and that the District Court was without jurisdiction to entertain the proposed cause of action entirely distinct from the original and which was without the jurisdiction of the State Court.

Thereupon a decree for summary judgment in favor of the defendant was entered January 16, 1942.

Respondent then appealed to the Circuit Cou t of Appeals for the First Circuit from the said decree dismissing the complaint as *res judicata* and from the denial of its motion to amend the complaint to add the new cause of action.

On November 6, 1942, the United States Circuit Court of Appeals for the First Circuit handed down its opinion and decision on aforesaid appeal, sustaining the District Court on its summary judgment dismissing the complaint, and remanding the case to the District Court to exercise his discretion as to whether or not to deny petitioner's motion to amend the complaint to add an action for triple damages under the Antitrust Laws of the United States, but reversing the District Court on the jurisdictional point upon which he had expressly denied the petitioner's motion.

In deciding this issue, the Court of Appeals said:

> "But the action in the case at bar was begun in a court of the Commonwealth of Massachusetts, a court which, although it had jurisdiction over the claim for breach of contract, did not have jurisdiction over the claim under the antitrust laws. 15 U.S.C. Sec. 15; Blumenstock Bros. v. Curtis Pub. Co., 252 U.S. 436, 440. For this reason the court below held that it did not have jurisdiction to allow the amendment because the only jurisdiction which it had derived from the jurisdiction

> of the Massachusetts Court. There are authorities squarely in support of this view, (Carroll v. Warner Bros. Pictures, 20 F. Supp. 405; Noma Electric Corp. v. Polaroid Corp., 2 F.R.D. 454), but they are not binding upon us and we decline to follow them."

It is by reason of the decision and decree of the United States Circuit Court of Appeals for the First Circuit in reversing Judge Brewster of the District Court by holding that the amendment to the complaint adding an action for triple damages under the Antitrust Laws of the United States was within the jurisdiction of the District Court, that your petitioner respectfully prays for a writ of certiorari for the purpose of review of the decision and decree of the United States Circuit Court of Appeals for the First Circuit rendered and entered November 6, 1942.

The Question Presented.

The only question presented is whether a plaintiff may amend his complaint in a removed action so as to state a new and independent cause of action against the defendant which would be outside the State Court's jurisdiction.

Reasons Relied upon for the Allowance of the Writ.

1. The Circuit Court of Appeals for the First Circuit in its decision has decided an important question of Federal law, namely, the jurisdiction of a District Court in an action removed from a State Court, in a way probably in conflict with applicable decisions of this Court.

2. The decision of the said Circuit Court of Appeals in thus holding that the District Court had jurisdiction in this removed action to allow an amendment to the complaint add-

ing a new and independent cause of action outside the jurisdiction of the State Court has so far departed from the accepted and usual course of judicial proceedings relative to the established principle of derivative jurisdiction in removed actions as to call for an exercise of this Court's power of supervision.

3. The Circuit Court of Appeals in its decision has decided an important question of Federal law, namely, the jurisdiction of a District Court in an action removed from a State Court in conflict with the decisions of District Courts in other circuits showing a conflict which should be settled by this Court.

Wherefore your petitioner respectfully prays that a writ of certiorari be issued out of and under the seal of this Honorable Court, directed to the United States Circuit Court of Appeals for the First Circuit, commanding that Court to certify and to send to this Court for its review and determination, on a certain day to be therein named, a full and complete transcript of the record and all proceedings on the case numbered and entitled on its docket No. 3781, *Bee Machine Co., Inc., Plaintiff-Appellant,* v. *Benjamin W. Freeman, Defendant-Appellee,* and that the said decree of the United States Circuit Court of Appeals for the First Circuit may be reversed by this Honorable Court, and that your petitioner may have such other and further relief in the premises as this Honorable Court may see meet and just.

MARSTON ALLEN,
NATHAN HEARD,
Counsel for Petitioner.

Certificate.

This petition is in our judgment well founded, and is not interposed for purpose of delay.

MARSTON ALLEN,
NATHAN HEARD,
Counsel for Petitioner.

Supreme Court of the United States.

OCTOBER TERM, 1942.

BENJAMIN W. FREEMAN,
Petitioner,
v.
BEE MACHINE CO., INC.,
Respondent.

BRIEF IN SUPPORT OF PETITION FOR WRIT OF CERTIORARI.

I.

The Opinions of the Courts Below.

The opinion of the District Court (Rec. p. 107) has been reported in 42 Fed. Supp. 938. The opinion of the District Court (Rec. p. 100) on the contract issue is reported in 41 Fed. Supp. 461.

The opinion in the Circuit Court of Appeals for the First Circuit (Rec. p. 117) is dated November 6, 1942, in the October Term of 1942, No. 3781, and reported in 131 F. (2d) 190.

II.

Jurisdiction.

1. The date of the decree to be reviewed is November 6, 1942.

2. The statute under which jurisdiction is invoked is section 240 of the Judicial Code, 28 U.S.C.A. § 347.

3. The United States Circuit Court of Appeals for the First Circuit misinterpreted the purpose of the section of the removal statute (U.S.C. § 81) which provides: "The District Court of the United States shall, in all suits removed under the provisions of this chapter, proceed therein as if the suits had been originally commenced in said District Court," in holding that it permitted the adding of a cause of action in the District Court in a removed cause where the original State Court from which it was removed had jurisdiction over the subject of the removed cause, but would have had no jurisdiction over the said added cause, and thus completely doing away with the doctrine of derivative jurisdiction. In so holding, the Court of Appeals has misinterpreted the decisions in the cases of *Minnesota* v. *United States*, 305 U.S. 382, *Lambert Co.* v. *Baltimore & Ohio Railroad Co.*, 258 U.S. 377, and *General Investment Co.* v. *Lake Shore & Michigan Southern Railway Co.*, 260 U.S. 261, and construed the law oppositely to its construction in various District Courts, when it held that the rule of these cases applied only when there was complete lack of jurisdiction in the State Court over the removed cause in the first instance.

III.

Statement of the Case.

The case has already been stated in the preceding petition under the heading "Summary Statement of the Matter Involved," and is hereby adopted and made a part of this brief.

IV.

Specification of Errors.

1. The Circuit Court of Appeals for the First Circuit erred in holding that it is proper for a District Court to

permit an amendment of a complaint in a case removed from a State Court for the addition of a cause of action under the Antitrust Laws of the United States, of which cause the State Court had no jurisdiction, and based on a state of facts unrelated to those of the removed cause.

2. The Circuit Court of Appeals for the First Circuit erred in disregarding completely the established theory of derivative jurisdiction in removal causes.

3. The Circuit Court of Appeals for the First Circuit erred in deciding an important question of Federal law in conflict with the decisions of District Courts in other circuits as showing a conflict which should be settled by this Court.

Carroll v. *Warner Brothers Pictures, Inc.* (District Court, Southern District, New York). 20 Fed. Supp. 405.

Howe v. *Atwood et al.* (District Court, Eastern District, Michigan, Southern Division), 55 U.S.P.Q. 177.

Noma Electric Corp. v. *Polaroid Corp.* (District Court, Southern District, New York), 2 Fed. Rules Dec. 454.

V.

Argument.

The first paragraph of petitioner's "Added Amended Complaint for Treble Damages under the Anti-Trust Laws of the United States" is as follows:

> "1. The Action arises under the Anti-Trust Laws of the United States, Title 15 U. S. Code, Sections 1-27, and particularly Section 15 thereof, to recover threefold the damages sustained by the plaintiff and the costs of the suit, including a reasonable attorney's fee." (Rec. p. 95.)

Actions which are based solely upon the Federal Antitrust Laws can be brought only in the Federal Courts.

Inasmuch as the above contentions cannot very well be questioned, then it would appear that what the petitioner is trying to do is to add a cause of action by way of amendment to a complaint on a contract which was originally brought in a State Court and has arrived in the Federal Court by way of the removal statutes, which cause of action could never have been entertained by the State Court.

The doctrine referred to by Justice Brandeis in *Minnesota* v. *United States*, 305 U.S. 382, is completely sound and is applicable to the present cause. In the decision Justice Brandeis says the following on page 389:

> "As Congress did not grant permission to bring this condemnation proceeding in a state court, the federal court was without jurisdiction upon its removal. For jurisdiction of the federal court is in a limited sense a derivative jurisdiction. Where the state court lacks jurisdiction of the subject matter or of the parties, the federal court acquires none, although in a like suit originally brought in a federal court it would have had jurisdiction."

This rule was also stated in the case of *General Investment Co.* v. *Lake Shore & Michigan Southern Railway Co.*, 260 U.S. 261, wherein Justice Van Devanter states the following on page 288:

> "When a cause is removed from a state court into a federal court the latter takes it as it stood in the former. A want of jurisdiction in the state court is not cured by the removal, but may be asserted after it is consummated. Cain v. Commercial Publishing Co., 232 U. S. 124, 131, et seq.; Cowley v. Northern Pacific R. R. Co., 159 U. S. 569, 583; De Lima v. Bidwell, 182

U. S. 1, 174; Lambert Run Coal Co. v. Baltimore & Ohio Railroad Co., 258 U. S. 377.

"It follows that so much of the bill as based the right to relief on asserted violations of the Sherman Anti-Trust Act and the Clayton Act was rightly dismissed; but the dismissal, being for want of jurisdiction, should have been without prejudice."

In the case of *Howe* v. *Atwood et al.*, 55 U.S.P.Q. 177, decided October 13, 1942, a suit for royalties under a patent license was brought in a Michigan State Court and removed to the Federal Court by the defendant, whereupon the plaintiff presented an amendment to the complaint setting up an action for infringement of the licensed patents. The District Court quoted from *Minnesota* v. *United States*, 305 U.S. 382, and from *Noma Electric Corp.* v. *Polaroid Corp.*, 2 Fed. Rules Dec. 454, as to the jurisdiction of the Federal Court in a removed action, and said:

"Here, however, plaintiff amended his own bill of complaint asking injunction against further infringement. May he not then voluntarily enlarge the scope of the jurisdiction? The answer we believe is correctly given above and in DeLima v. Bidwell, 182 U.S. 174, where the court states:

" 'Defendant neither gains nor loses by the removal, and the case proceeds as if no such removal had taken place.'

"Both Minnesota v. United States and Noma Electric Corporation v. Polaroid Corporation, supra, were decided subsequent to adoption of the new civil rules so it is apparent that those rules neither extended nor limited jurisdiction of the district court. In fact, they so provide (Rule 82)."

It is interesting to note that the above decision mentions the fact that both Justice Brandeis' decision in *Minnesota* v. *United States* and *Noma Electric Corporation v. Polaroid Corporation* were decided *since* the New Rules of Federal Procedure, so it is clearly apparent that the new rules in no way affect this rule.

This same rule was followed in *Carroll* v. *Warner Brothers Pictures,* 20 Fed. Supp. 405, a case completely parallel to the present case. In the Carroll case the State Court had jurisdiction of the original cause of action, which was not based on a Federal statute, and thus attempted to add another cause of action under the Federal statute after removal. Judge Laibell in the District Court in New York held that, since the Federal Court had only a derivative jurisdiction, the situation was the same as if the cause of action under the Federal statute had been attempted to be made part of the original action in the State Court. The rule has been followed in the Second Circuit recently as evidenced by the the following case:

> *Noma Electric Corporation* v. *Polaroid Corporation,* 54 U.S.P.Q. 138 (Southern District of New York).

The only basis for the decision of the Court of Appeals was a quotation from a statement in Moore's Federal Practice under the New Federal Rules, section 15.01, in criticism of the Carroll case, which stated:

> "The holding of the instant case compels the plaintiff to institute a separate action for violation of the antitrust laws. But if this is done and the action is brought in the federal district court where the removed action is pending, the court may consolidate it with the removed action pursuant to Rule 42. Since federal jurisdiction will not be enlarged by the amendment, practical

considerations justify amendment in situations of this kind."

The above quotation from Moore has no foundation in the authorities at all. It talks about the hardship of the plaintiff and completely disregards the hardship on the defendant in following Moore's theory. The respondent in the present case was served in a hotel room in Boston and exercised his constitutional right of removal to the Federal Court. If the respondent had not exercised the right of removal and had permitted the case to remain in the State Court, which he could have done, he would never have been subjected to this new cause of action, unless he were sued separately in the Federal Court *and proper service were first had upon him.* For this reason the exercising of a right by the respondent, which right is supposed to benefit him, would, in effect, penalize him.

Moore in his discussion states:

> "Had the fourth count [charge of violation of the Federal Antitrust Laws] appeared in the complaint filed in the State Court, dismissal of that count for lack of jurisdiction, after removal, would have followed the doctrine of the General Investment Co. v. Lake Shore & Michigan Southern Ry. case."

His theory then is that, if the complaint in the State Court originally contained a cause of action of which the State Court had jurisdiction and a cause of action under the Federal Antitrust Laws, and the case was then removed to the Federal Court, the cause of action under the Federal Trust Laws would have to be dismissed in view of the decisions of this Court, but that after it was dismissed the plaintiff could then move to amend the complaint by setting up a cause of action under the Federal Antitrust Laws. This would appear to be an absurdity on its face.

The Circuit Court of Appeals in its opinion states that this Court in the cases of *Lambert Run Coal Co.* v. *Baltimore & Ohio Railroad Co.*, 258 U.S. 377, *General Investment Co.* v. *Lake Shore & Michigan Southern Railway Co.*, 260 U.S. 261, and *Minnesota* v. *United States*, 305 U.S. 382, had under consideration actions—

> ". . . over which a state court had no jurisdiction was removed to a federal court, and it held that, the state court having no jurisdiction the federal court could acquire none upon removal even though the federal court would have had jurisdiction if the action had originally been brought in that court. The reason for this rule appears to be that because of lack of jurisdiction there was, legally speaking, no action pending in the state court and hence no action which could be removed to the federal court."

But this statement is, we respectfully submit, incorrect certainly with respect to *General Investment Co.* v. *Lake Shore & Michigan Southern Railway Co.* The facts of this case appear in the opinion of the Circuit Court of Appeals for the Sixth Circuit, 269 Fed. 235, 238-241, where the cause of action based upon violation of the Constitution and laws of Ohio was discussed at length and it was concluded:

> ". . . we think it was not only within the power, but it was the duty, of the court below to consider whether a good case was made under the State laws."

Thus it is clear that there was a cause of action in the original complaint of which the State Court had jurisdiction when the cause was removed to the Federal Court and this Court considered the allegations of the bill as to the right of relief under the Ohio State Constitution and laws and held that a right to equitable relief was not shown, and dis-

missed this part of the bill as well as that part charging violation of the Federal Antitrust Acts, 260 U.S. 288-290.

It is true that this Court observed that there was some ground for thinking that the cause of action under the State laws was something of a makeweight, but it was clearly sufficient to require and to receive consideration and action by the Court. Certainly, the original cause of action in the case here at bar was no more substantial, because the record here shows, as we have pointed out, that the respondent here as its only cause of action set forth one which was entirely without merit being *res judicata* as finally determined by the Circuit Court of Appeals.

After the action was removed to the Federal Court, a separate action could not be brought in that Court against petitioner, a resident of Ohio, unless he could by chance be "found" in Massachusetts. Petitioner is protected by law against being so "found" if he comes to Massachusetts to attend the trial of the removed action. This is no mere matter of procedure; it is a substantive right of petitioner.

This right cannot be taken from him by the subterfuge of an amendment to the complaint in the removed action. This is an underlying principle of the theory of "Derivative Jurisdiction" repeatedly confirmed by this Court. The Act of June, 1934, chapter 651, under which this Court established the Rules of Civil Procedure, explicitly provided that—

> "Said Rules shall neither abridge, enlarge, nor modify the substantive rights of any litigant";

and Rule 82, made in accordance therewith, further specifically provides:

> "These Rules shall not be construed to extend or limit the jurisdiction of the District Courts of the United States or the venue of actions therein."

This statute and this rule were for the very purpose of protecting a litigant against such a subterfuge. The proposed amendment to the complaint at bar seeks to do by indirection what cannot be done directly. It runs squarely counter to the fundamental policy of the removal of actions as defined by this Court. For example, in *Cowley* v *Northern Pacific Railroad*, 159 U.S. 569, this Court said with respect to a removed action:

> ". . . it remains in substance a proceeding under the Statute, *with the original rights of the parties unchanged.*"

This Court took particular pains to emphasize the statement which we have italicized, saying:

> "If any action or proceeding in a State Court was subject to be defeated or impaired by one of the parties exercising his statutory right to remove it to a Federal Court, no one would be safe in instituting such a proceeding in any case wherein, by reason of diversity of citizenship or otherwise, it might be subject to removal"—

and quoted from *Davis* v. *Gray*, 16 Wall. 223, 231:

> ". . . 'a party by going into a National Court does not lose any right or appropriate remedy of which he might have availed himself in the State Courts of the same locality. The wise policy of the Constitution gives him a choice of tribunals.' "

The question of venue or jurisdiction of the person is not a matter lightly to be disregarded. It depends upon substantive law. The right of a person to be sued only in the district of which he is an inhabitant is carefully guarded by

the general venue statute, Judicial Code, section 51, and, as stated in *General Investment Co.* v. *Lake Shore & Michigan Southern Railway Co.*, 260 U.S. 261:

> ". . . its purpose being to save defendants from inconveniences to which they might be subjected if they could be compelled to answer in any district or whereever found."

Any exception to this general provision must be made by specific statute. This general principle is emphasized in the Rules of Civil Procedure in Rule 82, referred to by Judge Goddard, which provides:

> "These rules shall not be construed to extend or limit the jurisdiction of the District Courts of the United States *or the venue of actions therein.*"

Now, being "found" is a sporadic, temporary thing, very different from being "an inhabitant." The petitioner Freeman was "found" at one particular time and subjected to suit on a cause of action in contract, and with which, under Massachusetts law [General Laws (Ter. Ed) c. 231, sec. 7 (sixth)] could not be joined a cause of action in tort. The original cause of action was removed to the District Court, but this did not make Freeman "an inhabitant" so that he could be served at any time. The only way in which jurisdiction can be obtained of Freeman in this district for a cause of action under the Antitrust Laws is by having him "found" here. This result cannot be secured by "amending" an existing complaint, because it would not only violate the whole theory of venue, but it would be in direct violation of Rule 82, which is superior to Rule 15.

Conclusion.

We respectfully submit that the Circuit Court of Appeals for the First Circuit by its decision has completely misconstrued the law as laid down by this Court, has overruled in effect the decisions of at least four District Court judges following the decisions of this Court, has disregarded the explicit provisions of Rule 82 of the Rules of Civil Procedure, and, finally, has destroyed the established theory of derivative jurisdiction in a removed case.

To permit this decision to stand means that your petitioner, or any other citizen, by exercising his right under the Constitution to remove an action from a State to a Federal Court thereby renders himself, by amendment to the complaint, subject to an action under the Antitrust Laws, an action for infringement of a patent, an action for infringement of a copyright, or any other independent cause of action cognizable by the Federal Courts. Such has not been the law, at least ever since this Court held in *Davis* v. *Gray*, 16 Wall. 223, 231:

> "... a party by going into a National Court does not lose any right or appropriate remedy of which he might have availed himself in the State Courts of the same locality. The wise policy of the Constitution gives him a choice of tribunals."

It is therefore respectfully submitted that this case is one calling for the exercise by this Court of its supervisory powers by granting a writ of certiorari, and thereafter reviewing and reversing the portion of the decision referred to.

MARSTON ALLEN,
NATHAN HEARD,
Counsel for Petitioner.

IN THE

Supreme Court of the United States

October Term, 1942

No. 707

BENJAMIN W. FREEMAN,

Petitioner,

v.

BEE MACHINE COMPANY,

Respondent.

REPLY BRIEF FOR PETITIONER

Of course, the merits or demerits of the alleged action under the Anti-Trust laws, which is involved in the jurisdictional matter with which the present petition for writ is concerned, has no relation to the question which it is desired to present, in case the petition is granted.

However, the respondent seeks on pages 14 to 16 of its brief to inject into this proceeding a series of statements on the subject of the merits of its proposed "amendment" to Bill of Complaint. We presume that this is in order to try to inject an *argumentum ad hominem* into the situation.

We ask leave to make a short reply on this subject.

1. Respondent uses "gross abuse" and such terms as to matters which do not exist. In the cause of *Bee Machine Co.* v. *Freeman* at Cincinnati, Freeman's residence (40 Fed. Supp. 299, affirmed by the Court of Appeals without opinion), similar charges were made by respondent. They were unsupported by fact.

2. The Cincinnati cause above noted shows that respondent is shedding crocodile tears about being required to sue Freeman at his residence where he can rightfully be served in a Federal action. That cause was brought by respondent at Cincinnati. It sought to enjoin Freeman from cancelling the license contract between himself and respondent for non-payment of royalties.

3. The conclusion of the Cincinnati cause was that the license contract of respondent was cancelled by a first notice in September, 1936. This was *months before the reissues* as to which respondent now contends that it has a right of action based on Freeman's alleged acts of charging royalties on more than his patent claims cover. The contention is false. But whether true or not the respondent, not having any contract since grant of the reissues, can obviously not object any more than the general public. Hence the alleged "amendment" to Bill of Complaint setting up an action under the Anti-Trust laws is a sham.

4. We note that on pages 14 to 16 of respondent's brief it seems to be filing an argument in behalf of the petition for writ No. 696 filed by Altvater et al. against Freeman. The petitioner Altvater there and respondent here have by parallel actions against Freeman, given evidence long ago that *they are in collusion* to try to defeat the Freeman patents while holding on to rights under them, in case the patents could not be defeated. The Court will note that no other of the many Freeman licensees are objecting.

5. The statement that respondent is being caused to pay royalties into Court in the case of *Bee Machine Co.* v.

Freeman, under reissue patent 20,203, for *unpatented anvil dies*, is false. The preliminary injunction for which these royalty payments are a supersedeas was based on counterclaim under patent *20,202* and on claims covering *mask type dies* which were *held valid* by the Court of Appeals in *Freeman* v. *Premier*, 84 Fed. (2d) 425. An excuse to respondent for speaking dehors the present record might possibly arise, but to speak untruth with reference to such facts as appear of record in the District Court at Cincinnati, is indefensible.

6. It can thus be noted why it is that Freeman has sound reasons for not wanting to become involved in a jury trial on the alleged "amendment" to Bill of Complaint, since he will very apparently be faced with various charges irresponsibly made.

7. If this Court see fit to accept the present petition and grant the writ, we see no reason whatever why it should be concerned in one way or another with the propriety of the proposed "amendment" to Bill of Complaint.

8. The question is (not the soundness on the facts of the proposed pleading which we consider it bad taste to try to inject into this matter in any event) but whether a District Court has jurisdiction to consider, in a removed case, an unrelated Federal cause of action, sought to be added to the original State action in the guise of an amendment to the original complaint, without service on the defendant other than that which was had in the State action.

9. That it is obvious that the service in this cause was of the type which should not be regarded as arising from a genuine desire to obtain redress of an injury, may be noted from the fact that the service of Freeman in the present cause was had before any Declaration had been filed in the Massachusetts State Court, that the declaration that was ultimately filed set up alleged breaches of the license contract from Freeman to respondent, which

contract had already been held cancelled for failure of respondent to pay royalties, and that if the effort of respondent is really what it says on page 16 of the brief, i. e., to have the Freeman reissue patents declared invalid, that there is pending at Cincinnati, Ohio, in the suit brought by respondent, a counterclaim by Freeman setting up the validity of his patents, and that they are infringed.

If this Court believes that the jurisdiction in the Federal Courts upon matters pleaded *de novo* after removal of state actions requires a clarification, it need have no qualms based on the nature of the particular pleading in this matter, against granting a writ.

Respectfully submitted,

MARSTON ALLEN,
NATHAN HEARD,
Counsel for Petitioner.

Counsel for Petitioner

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TABLE OF CASES

Supreme Court of the United States

OCTOBER TERM, 1942

No. 707

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v.

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Respondent.

BRIEF FOR PETITIONER

(Defendant-Appellee below.)

THE OPINIONS OF THE COURTS BELOW

The opinion of the District Court (Rec. p. 107) has been reported in 42 Fed. Supp. 938. The opinion of the District Court (Rec. p. 100) on the contract issue is reported in 41 Fed. Supp. 461.

The opinion in the Circuit Court of Appeals for the First Circuit (Rec. p. 117) is dated November 6, 1942, and reported in 131 F. (2d) 190.

JURISDICTION

The certiorari petition was filed on or about February 4, 1943, and the writ granted on or about March 15, 1943. This case is here on such a writ of certiorari under the provisions of section 240 of the Judicial Code (28 U. S. C. A. Sec. 347).

THE ISSUE

The primary issue in the case is whether after removal of an action from the state court to a federal court, the plaintiff may be allowed to amend to state a claim for treble damages under the antitrust laws, of which the state court would not have had jurisdiction.

SPECIFICATION OF ERRORS

1. The Circuit Court of Appeals for the First Circuit erred in holding that it is proper for a District Court to permit an amendment of a complaint in a case removed from a State Court for the addition of a cause of action under the Antitrust laws of the United States, of which cause the State Court had no jurisdiction, and based on a state of facts unrelated to those of the removed cause. In so holding, the Court of Appeals has misinterpreted the decisions in the cases of *Minnesota* v. *United States*, 305 U. S. 382; *Lambert Co.* v. *Baltimore & Ohio Railroad Co.*, 258 U. S. 377, and *General Investment Co.* v. *Lake Shore & Michigan Southern Railway Co.*, 260 U. S. 261, and construed the law oppositely to its construction in various District Courts, when it held that the rule of these cases applied only when there was complete lack of jurisdiction in the State Court over the removed cause in the first instance.

2. The Circuit Court of Appeals for the First Circuit erred in disregarding completely the established theory of derivative jurisdiction in removal causes.

STATEMENT OF THE CASE

The respondent in June, 1937, brought suit in the United States District Court, Southern District of Ohio, Western Division, against the petitioner, a resident of Ohio, based upon a contract entered into between the respondent and

the petitioner on November 29, 1933. Trial was had and by a decision rendered August 14, 1939, Judge Nevin decreed that the said contract had been canceled by petitioner for cause or breach of condition justifying the cancellation upon petitioner's part (Rec. p. 75). Appeal was taken by respondent to the Circuit Court of Appeals for the Sixth Circuit, and on June 6, 1941, the decree of Judge Nevin was affirmed by that Court without opinion (Rec. p. 93.)*

Notwithstanding this, respondent during pendency of its appeal on March 3, 1941, brought suit against petitioner in the Superior Court of Essex County, Massachusetts, in an action of contract for damages for breach by petitioner of the said contract of November 29, 1933, having secured service upon petitioner by catching him at a hotel in Boston, Massachusetts (Rec. p. 5).

Diversity of citizenship thus existing, the action was removed by petitioner to the United States District Court for the District of Massachusetts, and on May 15, 1941, petitioner filed a motion for summary judgment upon the ground that the issue raised by the action was res judicata as a result of the decree of the United States District Court for the Southern District of Ohio, entered October 7, 1939, pursuant to the aforesaid decision of Judge Nevin. On October 6, 1941, Judge Brewster sustained the motion for summary judgment on the ground of res adjudicata by the decree of the Ohio District Court, then affirmed by the Circuit Court of Appeals for the Sixth Circuit (Rec. p. 100), holding:

> "The facts established beyond controversy prevent a recovery in this action. No genuine issue of a material fact remains to be considered."

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* This cause in the Sixth Circuit is still pending on the issue of infringement by respondent on petitioner's patents.

As stated by Judge Brewster:

> "On the day before the hearing on defendant's (petitioner's) motion for a Summary Judgment, the plaintiff (respondent) filed a motion to add to its complaint a new cause of action."

This proposed new cause of action was entitled: "Added Amended Complaint for Triple Damages under the Antitrust Laws of the United States" (Rec. p. 95), and was obviously for the purpose of substituting for the original action in contract, which was without foundation or merit, an independent cause of action in tort based upon alleged violation of the Federal Antitrust Laws. Hearing was had by Judge Brewster upon this motion, and by an opinion rendered January 16, 1942, he held that the proposed action was entirely distinct from the original action, that the jurisdiction of the Federal Court in this removed action was derivative and that the District Court was without jurisdiction to entertain the proposed cause of action because it was outside the jurisdiction of the State Court (Rec. p. 107).

Thereupon a decree for summary judgment in favor of the defendant was entered January 16, 1942 (Rec. p. 111).

Respondent then appealed to the Circuit Court of Appeals for the First Circuit from the said decree dismissing the complaint as *res adjudicata* and from the denial of its motion to amend the complaint to add the new cause of action.

On November 6, 1942, the United States Circuit Court of Appeals for the First Circuit handed down its opinion and decision on the aforesaid appeal, sustaining the District Court on its summary judgment dismissing the complaint, and remanding the case to the District Court to exercise his discretion as to whether or not to deny petitioner's motion to amend the complaint to add an action for triple

damages under the Antitrust laws of the United States, but reversing the District Court on the jurisdictional point upon which he had expressly denied the petitioner's motion.

In deciding this issue, the Court of Appeals said:

> "But the action in the case at bar was begun in a court of the Commonwealth of Massachusetts, a court which, although it had jurisdiction over the claim for breach of contract, did not have jurisdiction over the claim under the antitrust laws. 15 U. S. C. Sec. 15; *Blumenstock Bros.* v. *Curtis Pub. Co.*, 252 U. S. 436, 440. For this reason the court below held that it did not have jurisdiction to allow the amendment because the only jurisdiction which it had derived from the jurisdiction of the Massachusetts Court. There are authorities squarely in support of this view (*Carroll* v. *Warner Bros. Pictures*, 20 F. Supp. 405; *Noma Electric Corp.* v. *Polaroid Corp.*, 2 F. R. D. 454), but they are not binding upon us and we decline to follow them."

The reasoning of the Court of Appeals was based on the assumption which we contend to be erroneous, that the authorities of this Court, relied upon by the District Court in its refusal to permit the filing of the new action as an amendment, did not apply, because those cases *merely* held that if the state court action was one over which it had no jurisdiction in the first place, then the Federal Court did not acquire jurisdiction. Since the original state action, although it was dismissible on the ground of res adjudicata, still did present subject matter over which the state court had jurisdiction, then, in the opinion of the Court of Appeals, this gave the Federal Court a right to consider any and all other actions which might be added by either party, whether within the original jurisdiction of the state courts or not. As to the right of plaintiff to file the proposed action as an amendment when and under the circumstances it had done so, this was held to be a

discretionary matter which the District Court was left to decide.

ARGUMENT

The first paragraph of petitioner's "Added Amended Complaint for Treble Damages under the Anti-Trust Laws of the United States" is as follows:

> "1. The Action arises under the Anti-Trust Laws of the United States, Title 15 U. S. Code, Sections 1-27, and particularly Section 15 thereof, to recover three-fold the damages sustained by the plaintiff and the costs of the suit, including a reasonable attorney's fee." (Rec. p. 95.)

Actions which are based solely upon the Federal Anti-trust Laws can be brought only in the Federal Courts, wherefore the petitioner seeking to add a cause of action by way of amendment to a complaint on a contract which was originally brought in a State Court and has arrived in the Federal Court by way of the removal statutes, which cause of action could never have been entertained by the State Court.

The doctrine referred to by Justice Brandeis in *Minnesota* v. *United States,* 305 U. S. 382, seems completely applicable to the present cause. In the decision Justice Brandeis says the following on page 389:

> "As Congress did not grant permission to bring this condemnation proceeding in a state court, the federal court was without jurisdiction upon its removal. For jurisdiction of the federal court is in a limited sense a derivative jurisdiction. Where the state court lacks jurisdiction of the subject matter or of the parties, the federal court acquires none, although in a like suit originally brought in a federal court it would have had jurisdiction."

What is meant by the characterization "in a limited sense a derivative jurisdiction" is that the Federal Court

has the jurisdiction of the State Court, but only in actions which could have been brought in the Federal Court because of diversity of citizenship, or for other reasons given in the statutes. The Removal Statutes are to be found in Title 28, Sections 71 to 83, U. S. C. A.

This rule was also stated in the case of *General Investment Co.* v. *Lake Shore & Michigan Southern Railway Co.*, 260 U. S. 261, wherein Justice Van Devanter states the following on page 288:

> "When a cause is removed from a state court into a federal court the latter takes it as it stood in the former. A want of jurisdiction in the state court is not cured by the removal, but may be asserted after it is consummated. *Cain* v. *Commercial Publishing Co.*, 232 U. S. 124, 131 et seq.; *Cowley* v. *Northern Pacific R. R. Co.*, 159 U. S. 569, 583; *De Lima* v. *Bidwell*, 182 U. S. 1, 174; *Lambert Run Coal Co.* v. *Baltimore & Ohio Railroad Co.*, 258 U. S. 377.
>
> "It follows that so much of the bill as based the right to relief on asserted violations of the Sherman Anti-Trust Act and the Clayton Act was rightly dismissed; but the dismissal, being for want of jurisdiction, should have been without prejudice."

In the case of *Howe* v. *Atwood et al.*, 47 Fed. Sup. 979, decided October 13, 1942, a suit for royalties under a patent license was brought in a Michigan State Court and removed to the Federal Court by the defendant, whereupon the plaintiff presented an amendment to the complaint setting up an action for infringement of the licensed patents. The District Court quoted from *Minnesota* v. *United States*, 305 U. S. 382, and from *Noma Electric Corp.* v. *Polaroid Corp.*, 2 Fed. Rules Dec. 454, as to the jurisdiction of the Federal Court in a removed action, and said:

> "Here, however, plaintiff amended his own bill of complaint asking injunction against further infringe-

ment. May he not then voluntarily enlarge the scope of the jurisdiction? The answer we believe is correctly given above and in *DeLima* v. *Bidwell,* 182 U. S. 174, where the court states:

" 'Defendant neither gains nor loses by the removal, and the case proceeds as if no such removal had taken place.'

"Both *Minnesota* v. *United States* and *Noma Electric Corporation* v. *Polaroid Corporation,* supra, were decided subsequent to adoption of the new civil rules so it is apparent that those rules neither extended nor limited jurisdiction of the district court. In fact, they so provide (Rule 82)."

It is interesting to note that the above decision mentions the fact that both Justice Brandeis' decision in *Minnesota* v. *United States* and *Noma Electric Corporation* v. *Polaroid Corporation* were decided *since* the New Rules of Federal Procedure.

Prior to the new rules, it is doubtful if plaintiff could, under the guise of an "amendment," file a new cause of action in any cause, without a new service upon the defendant. We have not raised the point in the present matter, for simplicity sake, but do not concede that it is proper even under the new rules.

This same rule was followed in *Carroll* v. *Warner Brothers Pictures,* 20 Fed. Supp. 405, a case completely parallel to the present case. In the *Carroll* case the State Court had jurisdiction of the original cause of action, which was not based on a Federal statute, and thus attempted to add another cause of action under the Federal statute after removal. Judge Laibell in the District Court in New York held that, since the Federal Court had only a derivative jurisdiction, the situation was the same as if the cause of action under the Federal statute had been attempted to be made part of the original action in the State Court. The rule has been followed in *Noma Electric*

Corporation v. *Polaroid Corporation*, 2 Fed. Rules Dec. 454 (Southern District of New York).

In the *Noma* case, the Court was urged that Sec. 81 of Title 28 U. S. C. A., and Rule 81(c) of the Federal Rules of Civil Procedure govern the situation, once the cause is in the Federal Court.

U. S. C. A. Sec. 81 reads as follows:

> The district court of the United States shall, in all suits removed under the provisions of this chapter, proceed therein as if the suit had been originally commenced in said district court, and the same proceedings had been taken in such suit in said district court as shall have been had therein in said State court prior to its removal."

Rule 81(c) reads as follows:

> "Removal Actions. These rules apply to civil actions removed to the district courts of the United States from the state courts and govern all procedure after removal. Repleading is not necessary unless the court so orders. In a removed action in which the defendant has not answered, he shall answer or present the other defenses or objections available to him under these rules within the time allowed for answer by the law of the state or within 5 days after the filing of the transcript of the record in the district court of the United States, whichever period is longer. If at the time of removal all necessary pleadings have been filed, a party entitled to trial by jury under Rule 38 and who has not already waived his right to such trial shall be accorded it, if his demand therefor is served within 10 days after the record of the action is filed in the district court of the United States."

The District Court in the *Noma* case ruled as follows on this point:

> "Defendant urges that Section 38 of the Judicial Code, 28 U. S. C. A. Sec. 81, and Rule 81(c) of Fed-

> eral Rules of Civil Procedure, 28 U. S. C. A. following section 723c, govern the situation and permits it to proceed as if the suit had been originally commenced in the federal court. It is true that such would be the correct procedure if the court had jurisdiction. But Rule 82 of the Federal Rules of Civil Procedure expressly provides that these rules shall not be construed to extend or limit the jurisdiction of the district court. See *Barnsdall Refining Co.* v. *Birnamwood Oil Co.*, D. C., 32 F. Supp. 314."

While Judge Leibell did not discuss the statutory section 81, above quoted, it is clear that this is a procedural section of the statute, not one which relates to jurisdiction.

We cite these decisions from the District Courts because they recite the current conclusions drawn by the bench from the recent holdings of this Court. The decision of the Court of Appeals in the present matter turned toward a criticism of these nisi prius rulings, based on a comment thereon of Mr. Moore in his recent text on the New Federal Rules.

Indeed the Court of Appeals based its conclusions on a quotation from Moore's Federal Practice under the New Federal Rules, Sec. 15.01 as follows:

> "The holding of the instant case compels the plaintiff to institute a separate action for violation of the anti-trust laws. But if this is done and the action is brought in the federal district court where the removed action is pending, the court may consolidate it with the removed action pursuant to Rule 42. Since federal jurisdiction will not be enlarged by the amendment, practical considerations justify amendment in situations of this kind."

The above quotation from Moore has no foundation in the authorities at all. It talks about the hardship of the plaintiff and completely disregards the hardship of the defendant in

following Moore's theory. The respondent in the present case was served in a hotel room in Boston and exercised his constitutional right of removal to the Federal Court. If the respondent had not exercised the right of removal and had permitted the case to remain in the State Court, which he could have done, he would never have been subjected to this new cause of action, unless he were sued separately in the Federal Court *and proper service were first had upon him.* For this reason the exercising of a right by the respondent, which right is supposed to benefit him, would, in effect, penalize him.

Moore in his discussion states:

> "Had the fourth count [charge of violation of the Federal Antitrust Laws] appeared in the complaint filed in the State Court, dismissal of that count for lack of jurisdiction, after removal, would have followed the doctrine of the *General Investment Co.* v. *Lake Shore & Michigan Southern Ry.* case."

His theory then is that, if the complaint in the State Court originally contained a cause of action of which the State Court had jurisdiction and a cause of action under the Federal Antitrust Laws, and the case was then removed to the Federal Court, the cause of action under the Federal Trust Laws would have to be dismissed in view of the decisions of this Court, but that after it was dismissed the plaintiff could then move to amend the complaint by setting up a cause of action under the Federal Antitrust Laws. This would appear to be an absurdity on its face.

The Circuit Court of Appeals in its opinion states that this Court in the cases of *Lambert Run Coal Co.* v. *Baltimore & Ohio Railroad Co.*, 258 U. S. 377; *General Investment Co.* v. *Lake Shore & Michigan Southern Railway Co.*, 260 U. S. 261, and *Minnesota* v. *United States*, 305 U. S. 382, had under consideration actions—

> ". . . over which a state court had no jurisdiction was removed to a federal court, and it held that, the state court having no jurisdiction the federal court could acquire none upon removal even though the federal court would have had jurisdiction if the action had originally been brought in that court. The reason for this rule appears to be that because of lack of jurisdiction there was, legally speaking, no action pending in the state court and hence no action which could be removed to the federal court."

But this statement is, we respectfully submit, incorrect certainly with respect to *General Investment Co.* v. *Lake Shore & Michigan Southern Railway Co.* The facts of this case appear in the opinion of the Circuit Court of Appeals for the Sixth Circuit, 269 Fed. 235, 238-241, where the cause of action based upon violation of the Constitution and laws of Ohio was discussed at length and it was concluded:

> ". . . we think it was not only within the power, but it was the duty, of the court below to consider whether a good case was made under the State laws."

Thus it is clear that there was a cause of action in the original complaint of which the State Court had jurisdiction when the cause was removed to the Federal Court and this Court considered the allegations of the bill as to the right of relief under the Ohio State Constitution and laws and held that a right to equitable relief was not shown, and dismissed this part of the bill as well as that part charging violation of the Federal Antitrust Acts.

It is true that this Court observed that there was some ground for thinking that the cause of action under the State laws was something of a makeweight, but it was clearly sufficient to require and to receive consideration and action by the Court. Certainly, the original cause of action in the case here at bar was no more substantial, because the record

here shows, as we have pointed out, that the respondent here as its only cause of action set forth one which was entirely without merit being res adjudicata as finally determined by the Circuit Court of Appeals.

The sole difference on the facts between the present cause and the *General Investment* case, is that in this cause the defendant did not know that he was to be faced with a charge under the Antitrust laws when he removed to the federal court, whereas in the *General Investment* case, the defendant did know it. The right to object to federal jurisdiction was available to the defendant in the *General Investment* case.

This right cannot be taken from him by the subterfuge of an amendment to the complaint in the removed action. This is an underlying principle of the theory of "Derivative Jurisdiction" repeatedly confirmed by this Court. The Act of June, 1934, chapter 651, under which this Court established the Rules of Civil Procedure, explicitly provided that—

> "Said Rules shall neither abridge, enlarge, nor modify the substantive rights of any litigant";

and Rule 82, made in accordance therewith, further specifically provides:

> "These Rules shall not be construed to extend or limit the jurisdiction of the District Courts of the United States or the venue of actions therein."

This statute and this rule were for the very purpose of protecting a litigant against such a subterfuge. The proposed amendment to the complaint at bar seeks to do by indirection what cannot be done directly. It runs squarely counter to the fundamental policy of the removal of actions as defined by this Court. For example, in *Cowley* v. *Northern Pacific Railroad,* 159 U. S. 569, this Court said with respect to a removed action:

> ". . . it remains in substance a proceeding under the Statute, *with the original rights of the parties unchanged.*"

This Court took particular pains to emphasize the statement which we have italicized, saying:

> "If any action or proceeding in a State Court was subject to be defeated or impaired by one of the parties exercising his statutory right to remove it to a Federal Court, no one would be safe in instituting such a proceeding in any case wherein, by reason of diversity of citizenship or otherwise, it might be subject to removal"—

and quoted from *Davis* v. *Gray,* 16 Wall. 223, 231:

> ". . . 'a party by going into a National Court does not lose any right or appropriate remedy of which he might have availed himself in the State Courts of the same locality. The wise policy of the Constitution gives him a choice of tribunals.'"

The question of venue or jurisdiction of the person is not a matter lightly to be disregarded. It depends upon substantive law. The right of a person to be sued only in the district of which he is an inhabitant is carefully guarded by the general venue statute, Judicial Code, section 51, and, as stated in *General Investment Co.* v. *Lake Shore & Michigan Southern Railway Co.,* 260 U. S. 261:

> ". . . its purpose being to save defendants from inconveniences to which they might be subjected if they could be compelled to answer in any district or wherever found."

Rule 81c—Civil Procedure surely does not contemplate any extension of jurisdiction and would not be valid to do so even if it did.

Being "found" is a sporadic, temporary thing, very different from being "an inhabitant." The petitioner Freeman was "found" at one particular time and subjected to suit on a cause of action in contract, and with which, under Massachusetts law [General Laws (Ter. Ed.) c. 231, sec. 7 (sixth)] could not be joined a cause of action in tort. The original cause of action was removed to the District Court, but this did not make Freeman "an inhabitant" so that he could be served at any time. The only way in which jurisdiction can be obtained of Freeman in this district for a cause of action under the Antitrust Laws is by having him "found" here. This result cannot be secured by "amending" an existing complaint, because it would not only violate the whole theory of venue, but it would be in direct violation of Rule 82, which is superior to Rule 15.

THE RESPONDENT'S POSITION

As we read the answering brief of respondent on our petition for writ of certiorari, it takes the position that by removing a cause to a federal court, the defendant thereby acknowledges and waives jurisdiction over his person for all purposes.

This Court in *Employers Reinsurance Corp.* v. *Bryant*, 290 U. S. 373, stated:

> "Obtaining the removal from the state court into the federal court did not operate as a general appearance by the defendant and as the service of process against it proved invalid, and it declined to appear voluntarily, the federal court was plainly without jurisdiction of the defendant although in other respects having jurisdiction of this suit."

The same ruling was made in *General Investment Co.* v. *Lake Shore & M. S. Ry. Co.*, 260 U. S. 261.

The respondent cites *In re Moore*, 209 U. S. 490, which was a case where both parties, neither of them citizens,

took a case to the federal court, filed amended pleadings, stipulations, etc., and this Court discussed whether they had both consented to the federal court to take the case.

Cowley v. *Northern Pacific R. Co.*, 159 U. S. 569, is cited, but in this case the Court had just previously stated:

> "a party going into a national court does not lose any right or appropriate remedy of which he might have availed himself in the State Courts of the same locality."

Respondent cites *De Lima* v. *Bidwell*, 182 U. S. 1, but that was a cause in which the Supreme Court stated as the general policy of removal, at page 174:

> "Defendant neither gains nor loses by the removal, and the case proceeds as if no such removal had taken place."

Leman v. *Krentler Arnold Hinge Last Co.*, 284 U. S. 448, is relied upon, but this was not a removal case at all. No further comment on the authorities cited by respondent is believed necessary except to say that in reading the older cases, attention must be paid to the fact that the statutes have changed, which formerly permitted the plaintiff to remove as well as the defendant.

This change of the statutes indicates the general policy of Congress to strictly limit the jurisdiction of federal courts in removed causes, leaving removal essentially as a right of the party accused in other than his residence to avail himself of the less partisan tribunals which the federal courts afford.

This policy, which we urge indicates that derivative jurisdiction over a removed cause should not be so expanded as to permit of a federal action to be added over which the state court would not have had jurisdiction, is shown in such causes as *East Tennessee V. & G. R. Co.* v.

Southern Telegraph Co., 112 U. S. 746, where this Court said:

> "The courts of the United States on removal of the proceeding from the Probate Court, were clothed with no greater power in the premises than the courts of the State would have possessed, if their jurisdiction had been preserved (p. 310). . . . The remedy is statutory only and every court which takes jurisdiction for its enforcement is limited in its powers by the statute under which it alone can act."

In *Cowley* v. *Northern Pacific R. Co.*, 159 U. S. 569 (supra), in addition to the quotation already given, said (582):

> "If any action or proceeding in a state court were subject to be defeated or impaired by one of the parties exercising his statutory rights to remove it to a Federal court, no one would be safe in instituting such a proceeding in any case wherein by reason of diversity of citizenship or otherwise, it might be subject to removal."

This ruling was one in which the right of a plaintiff to bring an action as to which the law of his state applied was supported, as against an effort after removal by the defendant to obtain a remedy which the state proceeding did not offer. It should surely apply both ways and protect a defendant who removes a cause, against the plaintiff thereupon adding thereto an action or praying a remedy, which the state action could not have afforded.

In the same sense the ruling of this Court in *Rorick* v. *Devon Syndicate, Ltd.*, 307 U. S. 299, is in support of our contention when it held

> "plaintiff may obtain in the Federal court after removal such orders of attachment or garnishment as would have been available to him had he been permitted to remain in the state court." (p. 312.)

CONCLUSION

The fallacy of respondent's position is apparent on the facts of this case. It was able to catch the petitioner in Boston, by a statutory summons in contract for damages. It *thereafter* under the laws of Massachusetts prepared a declaration against the petitioner in which it set forth a trumped up charge as to a contract which it had clearly been held to have violated and which was cancelled because of its fault. The defendant then removed the cause to the federal court as would have been expected, whereupon the plaintiff sought to file an action under the Sherman Act, as if it were an amendment to its declaration, counting not in contract (which was the limit of the presence of the petitioner in the Massachusetts courts), but in tort.

By removing the original cause, the position taken by the respondent would indicate that the petitioner had subjected himself to this new action. The new action in tort, however, would not have been supportable on the original summons against petitioner in the state court, even if it had been within the jurisdiction of that court, since tort cannot be joined with contract in Massachusetts by statute which says [Genl. Laws (Ter. Ed.) c. 231, sec. 7 (sixth)]:

> "Actions of contract and actions of tort shall not be joined, but if it is doubtful to which division a cause of action belongs a count in contract may be joined with a count in tort with an averment that both are for one and the same cause of action."

Since there is no similarity here between the two actions, it is thus evident that petitioner could not have been held in the State Court in tort on the basis of the summons against him in contract (Rec. p. 2).

So we have a situation wherein petitioner is said to have deprived himself not only of a right to object to a federal action in a removed suit, but also to a suit in tort whereas

he was served only in a contract action. This would mean that he had lost greatly his rights by virtue of removal, and it is against the policy of the law for a defendant to be prejudiced thereby.

We maintain that the decisions of this Court have ruled directly on the point here involved, contrary to the Court of Appeals, in the *General Investment* v. *Lakeshore* case (260 U. S. 261) (supra), and that on reason and authority it can make no difference that the federal action there was filed as a joined cause of action as against being sought to be filed as an amendment to the bill of complaint after removal, in this cause.

This is not a matter of "red tape" in connection with procedure, because the right of removal to the federal courts is a matter of substantive right, the incidents to which have been carefully guarded both by Congress and this Court from the beginning of our jurisprudence.

Respectfully submitted,

MARSTON ALLEN,
NATHAN HEARD,
Counsel for Petitioner.

IN THE

Supreme Court of the United States

October Term, 1942

No. 707

BENJAMIN W. FREEMAN,

Petitioner,

v.

BEE MACHINE COMPANY, INC.,

Respondent.

REPLY BRIEF FOR PETITIONER

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IN THE

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No. 707

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REPLY BRIEF FOR PETITIONER

1. The removal of a controversy to the Federal Courts does not constitute a waiver on the part of the removing party, to the jurisdiction of the Federal Court over his person. *General Investment* v. *Lakeshore Ry. Co.*, 260 U. S. 261, 269.

Since the above is the law, it would seem evident that the arguments advanced by the Respondent are erroneous wherein it is sought to apply some estoppel against the Petitioner by virtue of his removal of the action. If there could be an estoppel it would surely result in a loss of right to object to the original service, when the removing party submitted himself to the Federal Court of his own volition, as in the *General Investment* case.

2. The only difference between the present cause and that in *General Investment* v. *Lakeshore* (supra), is that here the suit under the Anti-Trust Laws was sought to be filed after the removal, and there the suit under the Anti-Trust Laws was a part of the original complaint. The reasons given by the Respondent in its brief, as to why there should be a different result in the present cause, lies in the contention that procedural rules apply once the case is in the Federal Courts, so that on a procedural basis, the Respondent contends that it has found a way to circumvent the rule in the *General Investment* case.

As we read the decision of the Supreme Court in the *General Investment* case, it not only recognized the existence of a cause of action cognizable by the State Court but reversed the Court of Appeals in dismissing with prejudice the very count of the Plaintiff's petition which had to do with the wrongs alleged to have been committed under laws other than those as to which the Federal Courts had exclusive jurisdiction.

3. The effect of the decision of this Court in *Erie Railroad* v. *Tompkins,* 314 U. S. 64, was to depart from a long line of decisions whereby the Federal Courts passed on what they conceived to be the proper construction of the law of the State where the action arose, as distinguished from adoption of the law as the Courts of that State had construed it. This decision points strongly to the strictly statutory jurisdiction of the Federal Courts, and to the laws of the States as being the controlling factors in controversies arising within the States.

As we view this decision, it would tend to establish that when we speak of a "derivative jurisdiction" in the Federal Courts, we are not speaking of a loose and nebulous thing, but of a jurisdictional rule whereby the rights of parties in removed cases should not be expanded beyond the precise rights given in the States where the litigation

arose originally. The animadversions in Respondent's brief as to the natural control of the Federal Courts over the nationals in this country is directly opposed by the reasoning and the result in the *Erie Rd.* v. *Tompkins* decision.

4. The decision in *Nierbo Co.* v. *Bethlehem Ship Bldg. Co.*, 308 U. S. 165, assists Respondent in no such way as it avers in its brief. The essential basis of that decision was that it concerned the venue of an action—the jurisdiction of the Federal Court over the person of the Defendant. The Court clearly differentiated this from the jurisdiction in the sense of "power to adjudicate," which in line with the controlling reasoning in the *Erie Rd.* v. *Tompkins* case, was stated to be

> 'a grant of authority to them by Congress and thus beyond the scope of litigants to confer."

Hence the acceptance of jurisdiction in the sense of "power to adjudicate" was not lost by Petitioner by his act of removal.

5. The Petitioner by removing to the Federal Court did not bar himself from asserting two things in the present matter: (a) that the Federal Court did not have jurisdiction in any matters to be brought up in the litigation over which the State Court did not have jurisdiction, and (b) that he was in the State Court only in a limited sense, under the laws of the State and hence could not be held responsible beyond that limited sense in the Federal Courts.

Proposition (a) last above made depends on what is meant by "derivative jurisdiction." We contend that it means that the Federal Courts may not have "power to adjudicate" matters which the State Court from which the cause was removed did not have in the action in ques-

tion. Within the large number of authorities in the Respondent's brief we do not find any which contravenes that proposition. There have been a multitude of cases on the point that simply because federal procedure does not permit of a remedy, such as a right to counterclaim, the effect of removal is not to deprive the party of his right. *Partridge* v. *Phoenix Mutual Life Ins. Co.*, 15 Wall. 573, 579 (quoted from by the respondent's brief, p. 33).

In *East Tennessee V. & G. R. Co.* v. *Southern Telegraph Co.*, 112 U. S. 306 (the incorrect page was given in our main brief), the question arose in a removed case as to the right of supersedeas on appeal against a telegraph company in connection with the award in a condemnation case. Under the laws of the State, supersedeas on appeal could not prevent the telegraph company from going ahead with its work. The Supreme Court held that rightly the supersedeas on appeal should have been denied in the Federal Court saying, as we quoted in our main brief, p. 17, that the Federal Courts were clothed with no greater power than the State Court.

We commented on *Rorick* v. *Devon Syndicate*, 307 U. S. 299, in our main brief. In that case, we might additionally note, this Court indicated that the District Court should consider whether under the laws of Ohio, it was proper to extend liability by a subsequent garnishment.

The right to sue and the right to object to being sued are but facets of the same essential privilege. Procedure of the Federal Courts has always been held to be subservient to rights to sue and to object to being sued in removal cases, as established by the laws of the state tribunal where the action was commenced.

(b) The Petitioner was surely in the State Court here only in a limited sense. The Commonwealth of Massachusetts, no doubt, has a right to permit service to be had upon strangers within its gates, in advance of any pleading

having been filed asserting the remedy sought. But in so doing, the State requires that the summons set forth the nature of the action, be it contract or tort. Thereafter, the party served is not responsible in that action for anything sounding in a theory not set forth in the summons.

Thus, Petitioner here was in the courts in Massachusetts in a limited sense only, and not, as the Respondent's brief says, for all purposes. He was in the State courts for such actions sounding in contract as the Respondent might assert against him.

The earliest statement to be found in the law on which the criticism by Mr. Moore in his Federal Practice, p. 3470, is based, to-wit, the case of *Fidelity Trust Co.* v. *Gill Car Co.*, 25 Fed. 737, by Judge Hammond sitting in the Circuit Court at Cincinnati, Ohio, will establish that there was no suit pending against Petitioner here, except one in contract. Besides holding that the federal jurisdiction was derivative, the Court acquiring no jurisdiction that the State Court did not have, Judge Hammond disposed of the argument that the party removing had submitted himself to Federal jurisdiction, by stating that the statute permitted only "suits" to be removed and until there was a suit, there was nothing to remove.

On this reasoning, if a limited service is had in the State Courts, it could not be expanded by removal into the Federal Courts to include a suit as to which no service was had at any time.

If we keep to the same volume of reports, we find a decision by Judge Brewer in *Davis* v. *St. Louis & S. F. Ry. Co.*, 25 Fed. 786, wherein he stated:

> "The removal of a case from a state to a federal court means no appeal. It is simply a change of venue. The decision on a demurrer in that court is a decision in this court. . . ."

Both of these decisions related to the law of 1875.

We urge that Petitioner, not being in court in the State in any other action than an action in contract, did not by virtue of removal, open himself to tort actions by the Plaintiff without new personal service upon him. This, we contend, is not a matter of procedure, but a matter of substantive right, not lost by removal.

6. The respondent stresses the articles by Moore and in the Harvard Law Review by attaching them as an appendix to its brief. We should, therefore, discuss them briefly. Both articles are a discussion of the decision in *Carroll* v. *Warner Bros.*, 20 Fed. Supp. 405. The Law Review Article goes back to Judge Hammond's decision in *Fidelity Trust Co.* v. *Gill* in 25 Fed. 737, and while it refers to the *General Investment* v. *Lake Shore* case, seems to disregard the fact that in that case the defendant was in fact before the State Court. The article says "Where the state court has jurisdiction over the parties and the subject matter," the rationale of the rule by Judge Hammond fails,—whereas the very point involved in the *Carroll* case was whether or not the subject matter of the new complaint, was within the jurisdiction of the State Court as to subject matter. The article then states the rule of convenience indicating that *IF* the defendant were still within the jurisdiction of the Federal Court, he could be served again, under the new cause, and the two be consolidated. Why then should not the consolidation be permitted without a new service? *

This is in substance what Mr. Moore says in his text, also, although Mr. Moore seems to have misconceived the facts in the *General Investment* v. *Lake Shore* case, regarding it as solely involved with an action which was exclusively federal to begin with. Both articles failed to note the presence of jurisdiction over the person of a defendant.

* The answer is that here the petitioner was not still within the jurisdiction of the Federal court and could not be served.

and of a cause of action against the defendant in the State Court, in the *General Investment* case, and both articles considered that in the said case the defendant had not been before the State Court as to a matter within its jurisdiction.

We believe that neither article could have been so expressed if the authors had realized that the *General Investment* decision could be rendered nugatory by the simple expedient of filing the Anti-Trust action over again in the guise of an amendment to the original declaration, if the *Carroll* case was erroneous as indicated.

Mr. Moore also cites *Cain* v. *Commercial Publishing Co.*, 232 U. S. 124, but in that case, this Court through Justice McKenna stated in unequivocal terms, that the act of removal would not be construed as an appearance of a defectively served defendant, and that the laws of Mississippi could not make it so. On the same reasoning the petitioner here, served in contract and liable only in contract, could not be held to have waived his right not to be proceeded against in tort whether he had removed the cause or had not.

We should state finally, that it is strange that at no time has the matter of a pleading such as the present one been presented to this Court or any other Court, except in the three instances cited in our brief, which followed after the decision in the *General Investment* case, and which the Court of Appeals in this matter refused to follow.

The reason why this is true is, we suggest, that until the new rules of Civil Procedure, it was not considered permissible to file in the guise of an amendment (except in some jurisdictions other than federal), a completely distinct cause of action without a new service. Thus the practice, where distinct causes of action were added, after the original suit had been begun, was to file them, issue regular service upon them, and ask for a consolidation.

But the Rules of Civil Procedure, while they apply to any cause brought in the Federal courts, by removal or otherwise, are expressly not intended to change the substantive law.

The substantive law applicable to the present matter, as distinguished from procedure, is that by removal petitioner simply submitted the controversy before the State courts to the Federal court, to act as a tribunal in place of the State court, and did not give up his rights (a) not to be sued on a cause of action exclusively Federal, and (b) not to be sued on the basis of the service had upon him, by an action in tort.

For respondent to urge that petitioner by moving for a summary judgment as to the removed action, had entered a general appearance in the Federal Court as to the proposed added claim, neglects the above two points, and further neglects the fact that when petitioner filed the motion for Summary Judgment there was no such added claim filed, as is now proposed.

Respectfully submitted,

MARSTON ALLEN,
NATHAN HEARD,
Counsel for Petitioner.

FILE COPY
No 707

In the

Supreme Court of the United States.

OCTOBER TERM, 1942.

BENJAMIN W. FREEMAN,
Petitioner,

v.

BEE MACHINE COMPANY,
Respondent.

BRIEF FOR RESPONDENT OPPOSING PETITION FOR WRIT OF CERTIORARI.

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In the

Supreme Court of the United States.

OCTOBER TERM, 1942.

BENJAMIN W. FREEMAN,
PETITIONER,
v.
BEE MACHINE COMPANY, INC.,
RESPONDENT.

BRIEF FOR RESPONDENT OPPOSING PETITION FOR WRIT OF CERTIORARI.

I. STATEMENT OF THE CASE.

The facts of this case are clearly and accurately stated by the Circuit Court of Appeals in its Opinion (R. pp. 116–117). So far as now material, they are:

Respondent, plaintiff below, a Massachusetts corporation, on February 3, 1941 brought an action at law against petitioner, defendant below, a citizen of Ohio, in the Superior Court of the Commonwealth of Massachusetts. Personal service was made on the petitioner Freeman within the Commonwealth of Massachusetts. The plaintiff's Declaration (R. pp. 5–9) alleged breach by petitioner of the express and implied terms of a certain patent license agreement entered into between the parties on November 29, 1933, the petitioner Freeman being the patent owner and licensor, and respondent the licensee. Petitioner, appearing especially, removed the action to the United States District

Court for the District of Massachusetts because of diversity of citizenship of the parties and the requisite jurisdictional amount (R. pp. 9–17). Petitioner filed his Answer in the District Court (R. pp. 18–22). Petitioner then moved for Summary Judgment dismissing the action as *res adjudicata* (R. pp. 24–25) by reason of the judgment of the United States District Court for the Southern District of Ohio in an action brought by respondent against petitioner to enjoin cancellation of the license agreement—wherein judgment was entered in favor of petitioner and affirmed by the Circuit Court of Appeals for the Sixth Circuit (R. pp. 26–93). Before the hearing on the Motion for Summary Judgment, respondent moved in the District Court to amend its original Complaint to add an Action for Treble Damages under the Anti-Trust laws of the United States (R. pp. 94–99). Petitioner's Motion for Summary Judgment was granted by the District Court and respondent's Motion to Amend the Complaint was denied on the ground of *lack of jurisdiction* of the Federal District Court, and Final Judgment was entered dismissing the Complaint (R. pp. 100–111). Respondent appealed and the Circuit Court of Appeals for the First Circuit affirmed the judgment which dismissed the original Complaint as *res adjudicata,* but reversed it insofar as it denied respondent's Motion to Amend its Complaint. The Court held that the Federal District Court *had jurisdiction* of the action under the Anti-Trust Laws of the United States, but since the District Court had not exercised its discretionary power under Rule 15(a) of the Rules of Civil Procedure to allow or disallow the Amendment to the Complaint, remanded the case for the exercise of the District Court's discretion and further proceedings not inconsistent with its Opinion (R. pp. 121–124).

Petitioner now seeks a writ of certiorari in this Court to review the decision and judgment of the Circuit Court of Appeals on the question of *jurisdiction* of the District Court

entertain the action under the Federal Anti-Trust Laws. Following the Mandate of the Circuit Court of Appeals, respondent has renewed its Motion in the District Court to amend its Complaint by adding the Action under the Anti-Trust Laws of the United States, in the exercise of the discretion of the District Court.

We submit that the petition for writ of certiorari should be denied, because the judgment of the Court of Appeals was correct, and in accord, rather than in conflict, with the applicable decisions of this Court. The decisions of the Federal District Courts to the contrary are obviously incorrect.

II. THE DECISION OF THE DISTRICT COURT.

The District Court held (Opinion, R. pp. 107–111), since the State Court of Massachusetts had no jurisdiction over the action based on the Anti-Trust laws of the United States, that (R. p. 110):

> "The jurisdiction of the Federal court in an action removed from the State court is derivative, and if the State court was without jurisdiction to entertain the cause of action set up in plaintiff's motion, then this court is also without jurisdiction.
>
> *Lambert Run Coal Co.* v. *Baltimore & Ohio Railroad Co.*, 258 U.S. 377, 382;
>
> *General Investment Co.* v. *Lake Shore & M. S. Ry. Co.*, 260 U.S. 261, 286.
>
> *Carroll* v. *Warner Bros. Pictures, Inc.*, 20 F. Supp. 405.

In the *General Investment Co.* case the court observed (page 288):

> " 'When a cause is removed from a state court into a federal court the latter takes it as it stood in the former. A want of jurisdiction in the state court is

not cured by the removal, but may be asserted after it is consummated.' "

The decision of the District Court, therefore, would require Respondent to bring its action under the Federal Anti-Trust laws in the Federal Court of Ohio (Petitioner's residence) or again to obtain personal service on Petitioner if he could be found again within the Commonwealth of Massachusetts. Petitioner could thus avoid the jurisdiction of the Federal Court of Massachusetts by remaining outside the Commonwealth although the Federal Anti-Trust laws expressly permit such suit to be brought "in the district in which the defendant resides or is found or has an agent".*

III. THE DECISION OF THE CIRCUIT COURT OF APPEALS.

The Court of Appeals (Opinion R. pp. 121–123) pointed out that the authorities relied on by the District Court, such as:

Lambert Run Coal v. *B. & O. R.R. Co.*, 258 U.S. 377, 382 (1921);

General Investment Co. v. *Lake Shore & M. S. Ry. Co.*, 260 U.S. 261, 288 (1922);

Minnesota v. *United States*, 305 U.S. 382, 388-9 (1938);

were not in point, and did not apply to the present situation, *where the State Court had jurisdiction over the action as it stood in that Court.* Accordingly, it refused to follow

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* Title 15, U.S. Code, Sec. 15 provides:

"Any person who shall be injured in his business or property by reason of anything forbidden in the anti-trust laws may sue therefore in any district court of the United States in the district in which the defendant resides or is found or has an agent, without respect to the amount in controversy, and shall recover threefold the damages by him sustained, and the cost of suit, including a reasonable attorney's fee. (Oct. 15, 1914, ch. 323, Sec. 4, 38 Stat. 731)."

the decision of the three other District Courts (and the Court below) which have held to the contrary:

Carroll v. *Warner Bros. Pictures, Inc.*, 20 F. Supp. 405 (D.C.S.D. N.Y. 1937);

Noma Electric Corp. v. *Polaroid Corp.*, F. Supp. ; 2 Fed. Rules Dec. 454, 54 U.S.P.Q. 138 (D.C.S.D. N.Y. 1942);

Howe v. *Atwood*, F. Supp. ; 55 U.S.P.Q. 177 (D.C.E.D. Mich. S.D. 1942).

The Court of Appeals (Judge Woodbury) said (R. pp. 122–3):

> "The Supreme Court in the cases cited above had under consideration the situation presented when *an action over which a state court had no jurisdiction was removed to a federal court,** and it held that, the state court having no jurisdiction, the federal court could acquire none upon removal, even though the federal court would have had jurisdiction, if the action had originally been brought in that court. The reason for this rule appears to be that because of lack of jurisdiction there was, legally speaking, no action pending i . the state court and hence no action which could be removed to the federal court.
>
> *But in the case at bar,* as well as in the *Carroll and Noma Electric Corp.* cases, *the state court had jurisdiction over the action as it stood in that court and hence there was pending before it an action which could be removed.* The question here presented is whether, after the removal of the action, it can be amended by adding a claim which the federal court has jurisdiction to try, but which the state court would have lacked if the claim had been advanced while the

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* Emphasis ours.

action was there pending. *The reason for the Supreme Court rule clearly fails in cases like the present.*"

IV. THE DECISION OF THE COURT OF APPEALS IS CORRECT.

The petition presents the legal question:

Where a State Court has jurisdiction of both subject-matter and the person of a defendant in an action in which the Federal Court has concurrent jurisdiction of subject-matter (because of diversity of citizenship and the requisite jurisdictional amount), and the defendant removes the action to the Federal Court, does the Federal Court then have jurisdiction to permit amendment of the complaint to add an action over which the Federal Court has exclusive jurisdiction as to subject-matter?

We submit that the question can be answered only in the affirmative, and that the decision of the Court of Appeals is correct.

The Massachusetts State Court, of course, had jurisdiction of the *original action* for breach of contract brought therein—jurisdiction of the *subject-matter,* under its general jurisdiction and powers—and jurisdiction of the *person* of the petitioner Freeman, by reason of personal service of process on him within the Commonwealth. *The State Court thus had full jurisdiction and power to act in the original action.*

The United States District Court for the District of Massachusetts likewise had jurisdiction of the *subject-matter* of the original action—because of the diversity of citizenship of parties and the requisite jurisdictional amount—Federal Constitution, Art. III, Sec. 2; Title 28, U.S.C. Sec. 41(1). The Federal District Court thus had *concurrent jurisdiction* with the Massachusetts State Court in the subject-matter.* The original action *could have been*

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* *Neirbo Co.* v. *Bethlehem Shipbuilding Corp.,* 308 U.S. 165 at 171 (1939).

brought just as well in the Federal Distict Court. Jurisdiction over the person of the petitioner by personal service on him within the District only was necessary—Title 28, U.S.C. Sec. 112(a).

Petitioner, however, removed the original action from the State Court to the Federal District Court, as he had a right to do—Tit. 28 U.S.C. Sec. 71. *But by so doing, he conferred jurisdiction on the Federal Court over his person, by consent, and submitted himself to the jurisdiction of that Court for all purposes*—just as if the original action had been brought in the Federal Court in the first place and personal service had been made upon him within the District of Massachusetts. The Federal Court below thus had jurisdiction of subject-matter, and acquired jurisdiction of the petitioner's person, and had full jurisdiction and power to act, both in the original action and any other which could be brought in the Federal Court. For that reason, the Motion to Amend the Complaint to Add the Action under the Federal Anti-Trust Laws could not be denied *for lack of jurisdiction* in the Federal Courts.

The Federal District Court, of course, has jurisdiction of an action under the Anti-Trust Laws of the United States —Title 15 U.S.C. Sec. 15; Title 28 U.S.C. Sec. 41 (23). It is immaterial that the State Court had no jurisdiction of that subject-matter, as the action under the Federal Anti-Trust Laws was not being brought in the State Court.

It is elementary law, of course, when a defendant removes an action to the Federal Court, the subject-matter of which is within the concurrent jurisdiction of both State and Federal Court, that the defendant thereby waives all objection to the jurisdiction of the Federal Court over his person, or to the venue or locality of suit. Further service of process to acquire jurisdiction of his person is unnecessary. Having once submitted his person to the jurisdiction of the Federal Court, he consents to its jurisdiction for all purposes within its power to adjudicate.

In *In re Moore*, 209 U.S. 490 (1907), Mr. Justice Brewer said (p. 496):

> "That the defendant consented to accept the jurisdiction of the United States court is obvious. It filed a petition for removal from the State to the United States Court. No clearer expression of its acceptance of the jurisdiction of the latter court could be had."

And see page 506—

In *Cowley* v. *Northern Pacific Railroad Co.*, 159 U.S. 569 (1895), Mr. Justice Brown said (p. 583):

> "The case having been removed to the Circuit Court upon petition of defendant, it does not lie in its mouth to claim that such court had no jurisdiction of the case, *unless the court from which it was removed had no jurisdiction.*"

In *Spencer* v. *Duplan Silk Co.*, 191 U.S. 526 (1903), Chief Justice Fuller said (pp. 531–2):

> "Plaintiff brought his action in the state court, and its removal on the ground of diverse citizenship placed it in the circuit court as if it had been commenced there on that ground of jurisdiction, . . ."

See also:

DeLima v. *Bidwell*, 182 U.S. 1 at 174 (1900).
Baggs v. *Martin*, 179 U.S. 206 at 208–9 (1900).
Philadelphia & Reading Coal & Iron Co. v. *Keslusky*, 209 F. 197 at 199 (C.C.A. 2, 1913).
Memphis Savings Bank v. *Houchens*, 115 F. 96 at 101–102 (C.C.A. 8, 1902).
U. S. Fidelity & Guaranty Co. v. *Board of Commissioners*, 145 F. 144 at 146 (C.C.A. 8, 1906).
Woodcock v. *B. & O. R. R. Co.*, 107 F. 767, 768–9 (C.C.N.D., Ohio, E.D. 1901).

Empire Mining Co. v. *Propeller Tow-Boat Co.*, 108 F. 900 at 902–3 (C.C., D.S.C. 1901).

Centaur Motor Co. v. *Eccleston*, 264 F. 852 at 853 (D.C.W.D. N.Y., 1920).

Friezen v. *Allemania Fire Insurance Co.*, 30 F. 349 at 351 (C.C.W.D. Wis., 1886).

Bankers Securities Corp. v. *Insurance Equities Corp.*, 85 F. (2d) 856 at 859 (C.C.A. 3, 1936).

An analogous situation is presented in *Leman* v. *Krentler-Arnold Hinge Last Co.*, 284 U.S. 448 (1931). There the plaintiff, a non-resident, brought a patent infringement suit against the defendant in the District Court of Massachusetts. The defendant counterclaimed for infringement of another patent. The plaintiff's suit was dismissed and the defendant recovered on its counterclaim and subsequently brought a contempt proceeding. The plaintiff objected that the court had acquired no personal jurisdiction over it in Massachusetts. Mr. Justice Hughes said (p. 451):

> "First. The question of jurisdiction turns upon the nature and effect of the decree in the infringement suit and the relation to that suit of the contempt proceeding. When the respondent brought the suit in the Federal District Court for the District of Massachusetts, it submitted itself to the jurisdiction of the court with respect to all the issues embraced in the suit, including those pertaining to the counterclaim of the defendants, petitioners here. Equity Rule 30. See Langdell, Eq. Pl. Chap. 5 Sec. 119; *Frank L. Young Co.* v. *McNeal-Edwards Co.*, 283 U.S. 398, 400, 75 L. ed. 1140, 1141, 51 S. Ct. 538."

It is also elementary law that when a case is properly removed to the Federal Court, its procedure thereafter is governed by the Federal Statutes and Rules—just as if the action had been brought in the Federal Court in the first

instance. By removing the case to the Federal Court, peti tioner consented to having the case governed thereafter by the Statutes and Rules applicable to the Federal Courts including the policy of Rule 18(a) of the Rules of Civi Procedure, which permits the plaintiff or defendant to

> *"join either as independent or as alternate claims, a many claims, either legal or equitable or both, as h may have against an opposing party."*

Title 28 U.S.C. Sec. 81 expressly provides:

> *"The district court of the United States shall, in al suits removed under the provisions of this chapter, pro ceed therein as if the suit had been originally com menced in said district court,* and the same proceed ings had been taken in such suit in said district cour as shall have been had therein in said State court prio to its removal."

Rule 81(c) of the Rules of Civil Procedure provides:

> "81(c) REMOVED ACTIONS. These rules apply to civi actions removed to the District Courts of the Unite States from the State Court and *govern all procedur after removal.* Repleading is not necessary unless th court so orders."

In the following removed cases procedural rights afte removal were held determined by the Statutes and rule applicable to actions in the Federal Courts, as if the actio had been brought there originally:

In *King* v. *Worthington,* 104 U.S. 44 (1881), the compe tency of witnesses was determined by applicable Federa Statute, although the witnesses would have been incompe tent in the State Court. Mr. Justice Woods said (p. 51):

> "The Federal Court was bound to deal with the cas

according to the rules of practice and evidence prescribed by the acts of Congress. If the case is properly removed, the party removing it is entitled to any advantage which the practice and jurisprudence of the Federal court give him."

In *Lehigh Valley Railroad Co.* v. *Rainey*, 99 Fed. 596 at 597–8 (C.C.E.D. Pa. 1900), a defense based on United States laws regulating interstate commerce was held available, and did not oust the Federal Court of jurisdiction, although it could not have been raised in the State Court.

In *Newberry* v. *Central of Ga. Ry. Co.*, 276 F. 337 at 338 (C.C.A. 5, 1921) an amendment to a complaint after removal alleging that defendant was engaged in interstate commerce was held not to oust the Federal Court of jurisdiction, although if it had been made in the State Court, it would have prevented removal, under the Federal Employer's Liability Act (Title 45 U.S.C. Sec. 56).

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In *Miller Parlor-Furniture Co.* v. *Furniture Workers' Union*, 8 F. Supp. 209 at 209 (D.C.D.N.J., 1934), a labor case, after removal was held subject to Federal Statutes governing issuance of restraining orders.

See also:

Borton v. *Conn. General Life Ins. Co.*, 25 F. Supp. 579 at 579 (D.C.D. Neb. 1938).

Meehan v. *Schenley Distillers Corp.*, 27 F. Supp. 989 at 989 (D.C.S.D. N.Y., 1939).

The same rule is held, specifically, to apply to amendments of the complaint, after removal. See *Salyer* v. *Consolidation Coal Co.*, 246 F. 794 at 796 (C.C.A. 6, 1918).

Having himself invoked the jurisdiction of the Federal Court, it does not now lie in petitioner's mouth to say that he should not be held subject to its rules of procedure.

V. THE DECISION OF THE DISTRICT COURT WAS CLEARLY WRONG.

PETITIONER'S ARGUMENTS ANSWERED.

THE PENDING PETITION IN ALTWATER v. FREEMAN NO. 696—A COMPANION CASE.

The District Court's decision was based on *Carroll* v. *Warner Bros. Pictures, Inc.*, 20 F. Supp. 405 (D.C.S.D. N.Y., 1937)—a parallel case, which started the present confusion—now dispelled by the decision of the Court of Appeals herein. There the plaintiff brought suit in the State Court of New York for slander of title, unjust enrichment, and services rendered. After defendant removed the case to the Federal Court because of diversity of citizenship, plaintiff amended his complaint to add a fourth cause of action under the Anti-Trust Laws of the United States. Judge Leibell, *on his own motion*, dismissed the fourth cause of action on the ground that the plaintiff in a removed case could not plead an action over which the State Court would not have had jurisdiction in the first instance,—citing:

> *Lambert Run Coal Company* v. *B. & O. Rr. Company*, 258 U.S. 377 at 382 (1921)
>
> *General Investment Company* v. *Lake Shore & M. S. Ry. Co.*, 260 U.S. 261 at 288 (1922)

He failed to perceive that those were cases in which plaintiff had brought suit in the State Courts on Federal causes of action *of whose subject-matter the State Court had no jurisdiction in the first place*—and that in the *Carroll case* the State Court had jurisdiction over the subject matter of the original cause of action.

The *Carroll case* is criticized in a Note in *51 Harvard Law Review*, 927 at 928 (1938), and in 1 *Moore's Federal Practice Under The New Federal Rules*, Sec. 15.01.

For good reason, therefore, the Court of Appeals herein refused to follow the *Carroll* case and reversed the District Court below.

The fundamental fallacy in Petitioner's argument is his failure to realize that jurisdiction over the person can be obtained by consent, as well as by service of process, and that here the jurisdiction of the Federal Court over him was conferred by himself—in removing the original action thereto. In so doing, he submitted himself to its jurisdiction for all purposes. The situation is not unlike *Neirbo Co.* v. *Bethlehem Ship Building Corp.*, 308 U.S. 165 (1939) wherein this Court held that a foreign corporation which had designated a local agent for the service of process, as a condition of doing business in a State, waived the privilege conferred by Sec. 51 of the Judicial Code (Title 28, U.S.C. Sec. 112) of being sued in diversity of citizenship cases only in the district of residence of either plaintiff or defendant. The petitioner here, of course, cannot invoke the jurisdiction of the Federal Courts for purposes which suit his convenience and deny it for those that do not. Hence, it was no "subterfuge" for Respondent to amend its complaint after removal to add an action under the Anti-Trust laws of the United States—as expressly permitted by the Federal Rules of Civil Procedure.

Petitioner's quarrel with the policy of Congress in permitting a suit under the Anti-Trust Laws of the United States to be brought against the defendant where "he is found" (Title 15, U.S.C. Sec. 15)—that it "completely disregards the hardship on the defendant"—is misguided. There is equal hardship on the plaintiff if compelled to sue only in the district of defendant's residence.

The petitioner, who here implores the solicitude of the

Federal Courts in protecting him from suit under the Anti-Trust Laws of the United States, except at his residence, is, strangely enough, one who himself has been very derelict in his obligations toward the public and has flagrantly abused his patent privileges. A more gross abuse of patent privileges has seldom been brought to the attention of the Federal Courts—we venture to say. The nature of respondent's claim in this respect is set forth in its Added Complaint Under the Anti-Trust Laws (R. pp. 95–98). As there shown, petitioner, a patent owner, licenses others, such as respondent, under his patents to make dies used in shoe manufacture, for making holes or "cut-outs" in the uppers of women's shoes for purposes of decoration. Petitioner's original patent No. 1,681,033, Aug. 14, 1928, covering the *anvil die* was held invalid in *Premier Machine Company* v. *Freeman,* 84 F. 2d 425 (C.C.A. 1, 1936) and 23 anvil die claims were disclaimed. Nevertheless, the petitioner Freeman, wholly without legal justification, has continued to represent to the shoe industry that *anvil dies* are still his monopoly, that a licensee must continue to pay him 15% royalties, and that shoe manufacturers can obtain such dies only from his licensees. The basis of this representation is his obtaining reissue patents (Nos. 20,202 and 20,203) from the Patent Office, after the Premier decision, in 1936, with *method* claims,* *in the practice of which method the unpatented dies are used.* This representation, of course, is wholly improper under *Leitch Mfg. Co.* v. *Barber Company,* 302 U.S. 458 (1937), *B. B. Chemical Co.* v. *Ellis,* 314 U.S. 495 (1941), and *Morton Salt Co.* v. *G. S. Suppiger Co.,* 314 U.S. 488 (1941). In addition many of Freeman's claims of his patents (Reissues Nos. 20,202 and 20,203) are of the

* The method, incidentally, had been in public use at least 10 years before Freeman first presented his method claims in the reissue applications, violating the rule of *Sontag Chain Stores Co.* v. *National Nut Co.,* 310 U.S. 281 (1939).

same scope as, and are not "definitely distinguishable" from those previously disclaimed by Freeman after the Premier decision, and hence violate the rule of *Maytag Co. v. Hurley Machine Co.*, 307 U.S. 243 (1938).

The subject-matter of this litigation is already before this Court on a petition for writ of certiorari in *Altvater et al. v. Freeman et al.*, No. 696, Oct. Term, 1942—a suit brought by Freeman against another licensee, Altvater, in the United States District Court for the Eastern District of Missouri, Eastern Division, for specific performance of his license agreement. The District Court held the Freeman reissue patents (Nos. 20,202 and 20,203) invalid because (Finding of Fact No. 29):

> "The plaintiffs have entered into license and lease agreements involving the patent in suit that attempt to monopolize and limit competition in unpatented dies and machines."

On appeal, however, the Circuit Court of Appeals for the Eighth Circuit affirmed in finding the patents not infringed, but refrained from holding them invalid on the ground that holding of invalidity was unnecessary for the decision—although conceding that Freeman's conduct was "violative of public policy". Unfortunately, this action of the Circuit Court of Appeals leaves it in Freeman's power to continue his misrepresentations and his gross abuse of his patent privileges. *Even to this day* respondent herein is required to pay into the District Court for the Southern District of Ohio, Western Division (at Dayton) a 15% royalty on *unpatented anvil dies* as a condition of suspending a preliminary injunction—obtained by Freeman's representations to that Court that his method claims of *Re* No. 20,203 entitled him to cover such *unpatented dies*, used in the practice of the patented method. The petitioner herein, Freeman, has taken no step to purge himself, or to inform that Court that

he no longer contends that *anvil dies* come within the scope of his patents. In fact, he still so contends, and Respondent's efforts to show that this is not possible, under the recent decisions of this Court, were wholly unconvincing to the District Court in Ohio. These misrepresentations by petitioner herein as to the scope and effect of his patents and his illegal restraints upon trade will unquestionably continue, until the Freeman patents are finally held invalid, as they properly should be. Respondent's action herein under the Anti-Trust Laws of the United States merely seeks damages, and not a declaration of invalidity of the Freeman Reissue patents, Nos. 20,202 and 20,203, and cannot bring about that highly salutary result.

VI. CONCLUSION.

We respectfully submit that the petition for writ of certiorari herein should be denied, because the judgment of the Court of Appeals was correct, and in accord with the decisions of this Court, and presents no question requiring decision by this Court.

Respectfully submitted,

GEORGE P. DIKE,
CEDRIC W. PORTER,
for the Respondent
BEE MACHINE CO.

JAMES W. SULLIVAN,
of Counsel.

March 1, 1943.

In the

Supreme Court of the United States.

OCTOBER TERM, 1942.

No. 707.

BENJAMIN W. FREEMAN,
Petitioner,

v.

BEE MACHINE COMPANY, INC.,
Respondent.

BRIEF FOR RESPONDENT.

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TABLE OF CASES AND AUTHORITIES CITED.

In the

Supreme Court of the United States.

OCTOBER TERM, 1942.

No. 707.

BENJAMIN W. FREEMAN,
PETITIONER,

v.

BEE MACHINE COMPANY, INC.,
RESPONDENT.

BRIEF FOR RESPONDENT.

I. STATEMENT OF THE CASE.

So far as now material, the facts of this case are:

Respondent, plaintiff below, a Massachusetts corporation, on February 3, 1941 brought an action at law against petitioner, defendant below, a resident and citizen of Ohio, in the Superior Court of the Commonwealth of Massachusetts—a court of general jurisdiction (R. pp. 1–6). Personal service was made on the petitioner Freeman while temporarily within the Commonwealth of Massachusetts (R. pp. 1-2). The action was started by service of the writ (R. pp. 1-2). On "the first Monday of March next" (1941), return day of the writ, (R. p. 2) plaintiff's Declaration was filed—in accordance with Massachusetts practice. The Declaration (R. pp. 3–6) alleged breach by petitioner of the express and implied terms of a certain patent license agreement entered into between the parties on November 29, 1933, the

petitioner Freeman being the patent owner and licensor, and respondent the licensee. Petitioner, appearing specially (R. p. 6) removed the action to the United States District Court for the District of Massachusetts, because of diversity of citizenship of the parties and the requisite jurisdictional amount (R. pp. 6-9). Petitioner filed his Answer in the District Court (R. pp. 10-12). Petitioner then moved for Summary Judgment dismissing the action as *res adjudicata* (R. pp. 13-14) by reason of the judgment of the United States District Court for the Southern District of Ohio in an action brought by respondent against petitioner to enjoin cancellation of the license agreement—wherein judgment was entered in favor of petitioner and affirmed by the Circuit Court of Appeals for the Sixth Circuit (R. pp. 14-56). Before the hearing on the Motion for Summary Judgment, respondent moved in the District Court to amend its original Complaint to add an Action for Treble Damages under the Anti-Trust laws of the United States—service of a copy of the Motion being made on petitioner's attorney of record (R. pp. 56–58).* Petitioner's Motion for Summary Judgment was granted by the District Court, and Respondent's Motion to Amend the Complaint was denied on the ground of *lack of jurisdiction* of the Federal District Court, and Final Judgment was entered dismissing the Complaint (R. pp. 59-66). Respondent appealed and the Circuit Court of Appeals for the First Circuit affirmed the judgment which dismissed the original Complaint as *res adjudicata,* but reversed it insofar as it denied Respondent's Motion to Amend its Complaint. The Court of Ap-

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* The nature of respondent's claim in this respect is set forth in its Amended Complaint (R. pp. 56–58). It seeks damages for petitioner's illegal restraint of trade in *unpatented* cut-out dies, outside of his patent monopoly, and for abuse of his patent privileges—the same situation involved in *Altvater* v. *Freeman,* No. 696, now before this Court.

peals held that the Federal District Court *had jurisdiction* of the action under the Anti-Trust laws of the United States, but since the District Court had not exercised its discretionary power under Rule 15(a) of the Rules of Civil Procedure to allow or disallow the Amendment to the Complaint, remanded the case for the exercise of the District Court's discretion and further proceedings not inconsistent with its Opinion (R. pp. 68-76).

On March 15, 1943 this Court granted a writ of certiorari. Following the Mandate of the Circuit Court of Appeals, respondent renewed its Motion in the District Court to Amend its Complaint by adding the Action under the Anti-Trust laws of the United States, in the exercise of the discretion of the District Court—but hearing of the Motion has been suspended pending the decision of this Court on the jurisdictional question.

II. THE DECISION OF THE DISTRICT COURT.

The District Court held (Opinion, R. pp. 63-65; 42 F. Supp. 938), since the State Court of Massachusetts had no jurisdiction over the action based on the Anti-Trust laws of the United States, that (R. p. 65):

> "The jurisdiction of the Federal court in an action removed from the State court is derivative, and if the State court was without jurisdiction to entertain the cause of action set up in plaintiff's motion, then this court is also without jurisdiction.
>
> *Lambert Run Coal Co.* v. *Baltimore & Ohio Railroad Co.*, 258 U.S. 377, 382;
>
> *General Investment Co.* v. *Lake Shore & M. S. Ry. Co.*, 260 U.S. 261, 286.
>
> *Carroll* v. *Warner Bros. Pictures, Inc.*, 20 F. Supp. 405.

In the *General Investment Co.* case the court observed (page 288):

> " 'When a cause is removed from a state court into a federal court the latter takes it as it stood in the former. A want of jurisdiction in the state court is not cured by the removal, but may be asserted after it is consummated.' "

The decision of the District Court, therefore, would require Respondent to bring its action under the Federal Anti-Trust laws in the Federal Court of Ohio (petitioner's residence) or again to obtain personal service on petitioner if he could be found again within the Commonwealth of Massachusetts. Petitioner could thus avoid the jurisdiction of the Federal Court of Massachusetts by remaining outside the Commonwealth, although the Federal Anti-Trust laws expressly permit such suit to be brought "in the district in which the defendant resides or is found or has an agent." *

III. THE DECISION OF THE CIRCUIT COURT OF APPEALS.

The Court of Appeals (Opinion R. pp. 68 at 73-75; 131 F.(2d) 190 at 193-5) pointed out that the authorities relied on by the District Court, such as:

> *Lambert Run Coal* v. *B. & O. R.R. Co.*, 258 U.S. 377, 382 (1921);

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* Title 15, U. S. Code, Sec. 15 provides:

"Any person who shall be injured in his business or property by reason of anything forbidden in the anti-trust laws may sue therefore in any district court of the United States in the district in which the defendant resides or is found or has an agent, without respect to the amount in controversy, and shall recover threefold the damages by him sustained, and the cost of suit, including a reasonable attorney's fee. (Oct. 15, 1914, ch. 323, Sec. 4, 38 Stat. 731)."

General Investment Co. v. *Lake Shore & M. S. Ry. Co.*, 260 U.S. 261, 288 (1922);

Minnesota v. *United States*, 305 U.S. 382, 388-9 (1938);

were not in point, and did not apply to the present situation, *where the State Court had jurisdiction over the action as it stood in that Court.* Accordingly, it refused to follow the decision of the three other District Courts (and the Court below) which have held to the contrary:

Carroll v. *Warner Bros. Pictures, Inc.*, 20 F. Supp. 405 (D.C.S.D.N.Y. 1937);

Noma Electric Corp. v. *Polaroid Corp.*, F. Supp. ; 2 Fed. Rules Dec. 454, 54 USPQ 138 (D.C.S.D. N.Y. 1942).

Howe v. *Atwood*, 47 F. Supp. 979; 55 USPQ 177 (D.C.E.D. Mich. S.D. 1942).

The Court of Appeals (Judge Woodbury) said (R. pp. 74-75):

"The Supreme Court in the cases cited above had under consideration the situation presented when *an action over which a state court had no jurisdiction was removed to a federal court,** and it held that, the state court having no jurisdiction, the federal court could acquire none upon removal, even though the federal court would have had jurisdiction, if the action had originally been brought in that court. The reason for this rule appears to be that because of lack of jurisdiction there was, legally speaking, no action pending in the state court and hence no action which could be removed to the federal court.

But in the case at bar, as well as in the *Carroll and*

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* Emphasis ours throughout this Brief.

Noma Electric Corp. cases, *the state court had jurisdiction over the action as it stood in that court and hence there was pending before it an action which could be removed.* The question here presented is whether, after the removal of the action, it can be amended by adding a claim which the federal court has jurisdiction to try but, which the state court would have lacked if the claim had been advanced while the action was there pending. *The reason for the Supreme Court rule clearly fails in cases like the present.*"

ARGUMENT.

IV. THE DECISION OF THE CIRCUIT COURT OF APPEALS IS CORRECT.

This case presents the question:

Where a State Court has jurisdiction of both the subject matter and the person of the defendant in an action, in which the Federal Court has concurrent jurisdiction of subject matter (because of diversity of citizenship and the requisite jurisdictional amount) and the defendant removes the action to the Federal Court, does the Federal Court have jurisdiction to permit amendment of the complaint to add a new claim over which the Federal Court has exclusive jurisdiction as to subject matter, and hence which could not have been brought in the State Court?

We submit that the question can only be answered in the affirmative and that the decision of the Circuit Court of Appeals is correct, and in accord, rather than in conflict, with the applicable decisions of this Court. The decisions of the Federal District Courts to the contrary are obviously incorrect.

The Massachusetts State Court, of course, had jurisdiction of the *original* action for breach of contract brought therein—jurisdiction of the *subject-matter*, under its general jurisdiction and power—and jurisdiction of the *person* of the petitioner Freeman, by reason of personal service of process on him while within the Commonwealth. *The State Court thus had full jurisdiction and power to act in the original action, and to render a valid judgment. Restatement, Judgments*, Secs. 1, 4, and 15.

The United States District Court for the District of Massachusetts likewise had jurisdiction of the *subject matter* of the original action,—because of the diversity of citizenship of the parties and the requisite jurisdictional amount—Federal Constitution, Art. III, Sec. 2; Title 28,

U.S.C. Sec. 41 (1). The Federal District Court thus had *concurrent jurisdiction* with the Massachusetts State Court in the subject matter.* The original action *could have been brought* as well in the Federal District Court—Title 28 U.S. C. Sec. 112, which permits such an action to be brought in the district of residence of either the plaintiff or the defendant.** Jurisdiction over the person of the petitioner by personal service on him within the District only was necessary to give the District Court venue.

Petitioner, however, removed the original action from the State Court to the Federal District Court, as he had a right to do—*Title 28, U.S.C.* Sec. 71. Then he filed his Answer in the Federal District Court and a Motion for Summary Judgment dismissing the action as *res adjudicata. This, of course, constituted a general appearance and conferred jurisdiction on the Federal Court over his person, by consent, and thereby he submitted himself to the venue and jurisdiction of that Court.*

Western Loan & Savings Co. v. *Butte & Boston Co.*, 210 U.S. 368 at 372 (1907).

Houston v. *Ormes*, 252 U.S. 469 at 474 (1919).

American Surety Co. v. *Baldwin*, 287 U.S. 156 at 165 (1932).

Restatement, Judgments, Secs. 18 and 19.

Restatement, Conflict of Laws, Secs. 81 and 82.

Beale, Conflict of Laws, Sec. 82.1 and cases cited.

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* *Neirbo Co.* v. *Bethlehem Ship Building Corp.*, 308 U. S. 165 at 171 (1939).

** Title 28 U.S.C. Sec. 112, provides in part:
"no civil suit shall be brought in any district court against any person by any original process or proceeding in any other district than that whereof he is an inhabitant; but where the jurisdiction is founded only on the fact that the action is between citizens of different States, suits shall be brought only in the district of the residence of either the plaintiff or the defendant;"

As regards jurisdiction and venue, the situation then became the same as if the original action had been brought in the Federal Court in the first place and personal service made upon the defendant in the District of Massachusetts. The Federal District Court thus had jurisdiction of the subject matter, and acquired jurisdiction of defendant's person, and hence had full jurisdiction and power to impose a personal liability or obligation upon the defendant and to render a valid judgment, both on the original claim and on any other which by its rules or statutes may be brought against a defendant properly within its jurisdiction. Having such jurisdiction of the subject matter and of the defendant, the District Court properly could permit the plaintiff to add such Federal claims as it might have against defendant. *There can be no question this was permissible under the Federal Rules of Civil Procedure.*

A. A case removed to the Federal Court on the ground of diversity of citizenship is, of course, expressly made subject to the statutes and rules applicable to the Federal Courts, after such removal.

Title 28 U.S.C. Sec. 81 expressly provides:

> "*The district court of the United States shall, in all suits removed under the provisions of this chapter, proceed therein as if the suit had been originally commenced in said district court,* and the same proceedings had been taken in such suit in said district court as shall have been had therein in said State court prior to its removal."

Rule 81(c) of the Rules of Civil Procedure provides:

> "81(c) REMOVED ACTIONS. These rules apply to civil actions removed to the District Courts of the United States from the State Courts and *govern all procedure after removal.* Repleading is not necessary unless the court so orders."

In the following removed cases procedural rights after removal were held determined by the Statutes and rules applicable to actions in the Federal Courts, as if the action had been brought there originally:

In *Ex Parte Fisk*, 113 U.S. 713 (1884) the right of examination of a party before trial permitted by New York statute, was held no longer available in an action at law, after removal, because in conflict with statutes of the United States regulating mode of trial in the Federal Courts. Mr. Justice Miller said (p. 726):

> *"The petitioner having removed his case into the Circuit Court has a right to have its further progress governed by the law of the latter court, and not by that of the court from which it was removed; and if one of the advantages of this removal was an escape from this examination, he has a right to that benefit if his case was rightfully removed."*

In *King* v. *Worthington*, 104 U.S. 44 (1881), the competency of witnesses was determined by applicable Federal Statute, although the witnesses would have been incompetent in the State Court. Mr. Justice Woods said (p. 51):

> "The Federal Court was bound to deal with the case according to the rules of practice and evidence prescribed by the acts of Congress. If the case is properly removed, the party removing it is entitled to any advantage which the practice and jurisprudence of the Federal court give him."

In *Hurt* v. *Hollingsworth*, 100 U.S. 100 (1879), joinder of equitable and legal causes of action, permitted by Texas statute, was held no longer available after removal, because in conflict with Federal statute regulating procedure in the Federal courts at that time.

In *Northern Pacific Railroad* v. *Paine*, 119 U.S. 561

(1886) an equitable defense to an action at law, permitted by Minnesota statute, was held no longer available after removal, under the applicable Federal statute of that time.

In *Lehigh Valley Railroad Co.* v. *Rainey*, 99 Fed. 596 at 597–8 (C.C.E.D. Pa. 1900), a defense based on United States laws regulating interstate commerce was held available, and did not oust the Federal Court of jurisdiction, although it could not have been raised in the State Court.

In *Newberry* v. *Central of Ga. Ry. Co.*, 276 F. 337 at 338 (C.C.A. 5, 1921) an amendment to a complaint after removal alleging that defendant was engaged in interstate commerce was held not to oust the Federal Court of jurisdiction, although if it had been made in the State Court, it would have prevented removal, under the Federal Employer's Liability Act (Title 45 U.S.C. Sec. 56).

In *Henning* v. *Western Union Tel. Co.*, 40 F. 658 at 658–9 (C.C.D.S.C., 1889) the plaintiff was required to provide security for costs, although it could not have been required in the State Court.

In *Miller Parlor-Furniture Co.* v. *Furniture Workers' Union*, 8 F. Supp. 209 at 209 (D.C.D.N.J., 1934), a labor case, after removal was held subject to Federal Statutes governing issuance of restraining orders.

See also:

Borton v. *Conn. General Life Ins. Co.*, 25 F. Supp. 579 at 579 (D.C.D. Neb. 1938).

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The same rule is held, specifically, to apply to amendments of the complaint, after removal. See *Salyer* v. *Consolidation Coal Co.*, 246 F. 794 at 796 (C.C.A. 6, 1918).

B. The Federal District Court, of course, has jurisdiction of the subject matter in an action under the Anti-trust laws of the United States—*Title 15 U.S.C.* Sec. 15 (*supra*, p. 4);

Title 28 U.S.C. Sec. 41 (23); *Blumenstock Bros.* v. *Curtis Publishing Co.*, 252 U.S. 436, 440 (1919). It is immaterial that the State Court had no jurisdiction of that subject matter, as the action under the Federal Anti-trust laws was not being brought in the State Court.

C. Rule 18 (a) of the Federal Rules of Civil Procedure expressly permits the plaintiff or defendant to

> "join either as independent or as alternate claims, as many claims, either legal or equitable or both, as he may have against an opposing party."

It is thus the policy of the Federal Courts to clear up in one action as many claims as one party has against the opposing party, rather than requiring separate and piecemeal actions in separate courts.

D. The Federal Rules of Civil procedure likewise permit "every pleading subsequent to the original complaint" to be served upon the attorney of record of the opposing party when he is so represented by an attorney. Pleadings "asserting new or additional claims for relief" are required to be *personally* served only when the opposing party is in default "for failure to appear". Rule 5(a) and (b) provides in part:

> "Every order required by its terms to be served, *every pleading subsequent to the original complaint . . . shall be served upon each of the parties affected thereby,* but no service need be made on parties in default for failure to appear except that pleadings asserting new or additional claims for relief against them shall be served upon them in the manner provided for service of summons in Rule 4.
>
> (b) SAME: HOW MADE. Whenever under these rules service is required or permitted to be made upon a party represented by an attorney *the service shall be*

> *made upon the attorney* unless service upon the party himself is ordered by the court. *Service upon the attorney or upon a party shall be made by delivering a copy to him or by mailing it to him at his last known address* or, if no address is known, by leaving it with the clerk of the court."

Service of the amended complaint adding the action under the Federal Anti-trust laws herein was made on Petitioner's Attorney of record (R. pp. 56–58).

There can thus be no question that *procedurally*, under the Rules and Statutes applicable to suits in the Federal Courts, whether brought therein originally, or removed thereto from a State Court, the Federal Court had the jurisdiction and authority to permit amendment of the original complaint to add the action under the Anti-trust laws of the United States.

V. THE DECISION OF THE DISTRICT COURT WAS CLEARLY WRONG.

The District Court's decision was based on *Carroll* v. *Warner Bros. Pictures Inc.*, 20 F. Supp. 405 (D.C.S.D. N.Y. 1937). There the plaintiff brought suit in the State Court of New York for slander of title, unjust enrichment and services rendered, defendant being a Delaware corporation doing business in New York. After defendant removed the case to the Federal Court because of diversity of citizenship, plaintiff amended its complaint to add a fourth claim, under the Anti-trust laws of the United States. Judge Leibel, *on his own motion*, dismissed the fourth claim on the ground that the plaintiff in a removed case could not add a claim over which the State Court would not have had jurisdiction in the first instance. He relied on:

> *Lambert Run Coal Co.* v. *B & O Railroad Co.*, 258 U.S. 377 at 382 (1921.)

General Investment Co. v. *Lake Shore & M.S. Railway Co.*, 260 U.S. 261 at 288 (1922).

Other cases to similar effect are:

Venner v. *Michigan Central R.R. Co.*, 271 U.S. 127 at 131 (1925).

Minnesota v. *United States*, 305 U.S. 382 at 388-9 (1938).

He failed to note, however that these were cases in which the plaintiff had brought suit in the State Courts *on Federal causes of action, of whose subject matter the State Court had no jurisdiction in the first place*, and that this Court, by its language, was talking about the original action brought in the State Court, of which that court had no jurisdiction—*not a Federal action added after removal to the Federal Court.*

In the Lambert case, for instance, the plaintiff brought suit to enjoin the railroad from complying with the Rules of the Interstate Commerce Commission regarding distribution of coal cars under the Transportation Act of 1920.

In the General Investment case the plaintiff sued in the State Court to enjoin the consolidation of certain railroad companies on the ground—

> "that it would contravene the Sherman Anti-Trust Act and the Clayton Act—both laws of the United States. There were also charges that it would be contrary to the Constitution and laws of Ohio and other states, but the general tenor of the bill made it evident that these charges were to be taken as of secondary importance" (p. 264).

As to the latter, Mr. Justice Van Devanter said (p. 288):

> "This branch of the suit was loosely set forth and as was observed by both courts below there is some ground

for thinking the references to state constitutions and laws were merely make-weights. With other matters eliminated this branch at best was left in a state of relative uncertainty."

In the Minnesota case the State of Minnesota brought suit in a court of that state to take by condemnation a right of way over land forming part of an Indian Reservation granted by Treaty and Act of Congress.

In the Venner case a minority stockholder sued in the State Court to enjoin the Railroad from carrying out an agreement to acquire equipment and issue certificates therefor, as permitted by an order of the Interstate Commerce Commission.

In each of these cases the State Court was without jurisdiction of the subject matter of the action, entirely or principally, and, of course, lacked jurisdiction to render a valid judgment therein. Although this incipient defect was cured by defendant's removal of the case to the Federal Court, which had jurisdiction of the subject-matter, this Court held that where the State Court lacked jurisdiction of the subject matter or of the parties,* the Federal Court acquired none, although in a like suit originally brought in a Federal Court it would have had jurisdiction.

But that was not the situation in the present case, nor the Carroll case. Here and in the Carroll case, the State Court had jurisdiction of the subject matter of the original causes

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* Cases in which the State Court lacked jurisdiction over the *person* of the defendant are:

Wabash Western Ry. v. *Brow*, 164 U.S. 271 (1896).
Hassler v. *Shaw*, 271 U.S. 195 (1925).
Morris & Co. v. *Skandinavia Insurance Co.*, 279 U.S. 405 (1928).

The lack of jurisdiction over the defendant's person, however, must be taken advantage of by special appearance, or similar plea to the jurisdiction, in the Federal Court.

of action, as well as personal jurisdiction of the defendants. *Here there was full jurisdiction to render a valid judgment in the original action in the State Court,* and the State Court having full jurisdiction, the Federal Court acquired the same jurisdiction on removal, as well as over such other federal causes of action which the plaintiff might have against the defendant, within the language and policy of Rule 18 (a) of the Federal Rules of Civil Procedure—as the Court of Appeals well pointed out herein (R. pp. 73–75). The cases relied on by the District Court are thus clearly distinguishable.

We ask the Court to note specifically that the language of this Court in the three cases relied on by the District Court herein, referred to the original action brought in the State Court, of which the State Court had no jurisdiction as to subject matter. But now the defendant applies that same language to the new claim added by amendment after removal of the case to the Federal Court—a wholly different situation.

The *Carroll* case is criticized in a Note in 51 Harvard Law Review, pp. 927–8 (1938) and in Moore's Federal Practice Sec. 15.01 at pp. 787–8—printed in full respectively, in Appendix A and B to this Brief.

Subsequent to the *Carroll* case, two other District Courts have been misled by Judge Leibell's decision and have failed to note the distinction that in their cases the State Court had jurisdiction of both subject matter and the person of the defendant and hence full power to render a valid judgment. They are:

Noma Electric Corp. v. *Polaroid Corp.*, F. Supp. , 2 Fed. Rules Dec. 454, 54 USPQ 138 (D.C.S.D. N.Y., 1942), wherein the plaintiff brought suit in the State Court of New York to enjoin unfair competition, the defendant Polaroid Corporation being a Delaware corporation doing business in New York. On removal to the Federal Court because of diversity of citizenship, the Polaroid Corporation counter-

claimed for infringement of patent and the District Court dismissed the counterclaim for lack of jurisdiction of the Federal Court.

Here the *defendant*, after removal, sought to *counterclaim* on a federal claim—as permitted by Rule 13 (a, b) of the Federal Rules of Civil Procedure. But even a defendant, we submit, can take advantage of his right of removal to the Federal Court, and the Federal Rules of Civil Procedure thereafter—which permit counterclaims generally—and this right is not in any way limited to those of which the State Court would have had jurisdiction as to subject matter. This is true even though the removal is *intentionally* made to take advantage of the broader scope of counterclaim permitted by Federal Rule. We submit that the situation is governed by *Ex parte Fisk*, 113 U.S. 713 (1884) (*supra* p. 10).

The policy of the Federal Courts, expressed in their Rules of Civil Procedure, should control *all cases* in those Courts, whether brought there originally, or removed thereto, as the Rules intend. The right to counterclaim in a *removed case* should be governed by the Federal Rules of Civil Procedure, exactly as if the case had been brought originally in the Federal Court, on diversity of citizenship, we submit.

In *Howe* v. *Atwood*, 47 F. Supp. 979, 55 USPQ 177, (D.C. E.D., Mich., S.D., 1942) the plaintiff brought suit against the defendants as individuals to recover royalties under a patent license agreement. On removal to the Federal Court for diversity of citizenship, the plaintiff filed an amended bill adding patent infringement, and the District Court held that the plaintiff could not thus enlarge the jurisdiction acquired from the State Court and hence that the defendant could not attack the validity of the patents.

For good reason, therefore, the Court of Appeals herein refused to follow the *Carroll* case and reversed the District Court below, we submit.

VI. IT IS NOT A DENIAL OF DUE PROCESS UNDER THE FIFTH AMENDMENT OF THE CONSTITUTION FOR A FEDERAL COURT, IN A CASE REMOVED THERETO BECAUSE OF DIVERSITY OF CITIZENSHIP, TO SUBJECT A DEFENDANT, OVER WHOM THE STATE COURT HAS ACQUIRED JURISDICTION, TO A NEW CLAIM OVER WHICH THE FEDERAL COURT HAS EXCLUSIVE JURISDICTION AS TO SUBJECT MATTER, AND WHICH BY ITS RULES MAY BE BROUGHT AGAINST A DEFENDANT.

There can be no question, of course, as to the *procedural* right of the Federal District Court, in a removed case, to subject the defendant over whom the State Court has acquired jurisdiction—to a new claim of which the Federal Court has exclusive jurisdiction as to subject matter—such as the claim added by amendment herein, under the Anti-Trust laws of the United States. As previously pointed out, the Federal statutes and rules expressly provide that the Federal Rules govern all procedure after removal (Rule 81(c)), and by Rule 18 (a) that the plaintiff in the Federal Court may join as many claims as he may have against the defendant. More fundamental, of course, is the question of *jurisdiction*—the *power* of the Federal Court to subject a defendant in this situation to new claims, over which the Federal Court has exclusive jurisdiction, and which could not have been brought in the State Court. This question necessarily involves consideration of due process of law—in this instance under the 5th Amendment of the Constitution—and incidentally, the relation between State and Federal Courts, under our dual system of government.

A. There is, first of all, nothing in the relation between State and Federal Courts which requires us to say that, Constitutionally, State Courts can adjudicate only State or common law claims or rights, and Federal Courts only Fed-

eral claims and rights. Thus it is entirely immaterial that the new claim herein (under the Federal Anti-Trust laws) is one over which the Federal Courts have exclusive jurisdiction as to subject matter, and which could not have been brought in the State Court. Nothing can turn on that fact. In diversity of citizenship cases, the jurisdiction of State and Federal courts is *concurrent*—each court has plenary power to act. In such cases when brought in the Federal Courts, whether originally or removed thereto, the Federal Court, although an independent Court, applies the law of the State to the action.

> *Erie Railroad Co.* v. *Tompkins,* 304 U.S. 64 at 78 (1937).

There is thus no sharp dividing line as to respective jurisdiction of State and Federal Courts, in cases involving Federal and State (or common law) claims and rights. State Courts, of course, frequently adjudicate Federal claims—a familiar example being those under the Federal Employers Liability Act, *Title 45, U.S.C. Sec. 56.* Moore's Federal Practice, p. 3470; Sec. 101.08, p. 3509. Federal Courts likewise commonly adjudicate State or common law claims—as in diversity cases.

This is also true historically. Originally, of course, under the Judiciary Act of 1789,[1] cases arising under the Constitution, Laws & Treaties of the United States were confided in the first instance to the State Courts—reviewable by the United States Supreme Court only when a claim of Federal right was denied. Except for the short-lived Judiciary Act of 1801,[2] not until the Judiciary Act of 1875[3] were the Federal Courts made general depositories of claims of Federal rights, and even then the jurisdiction was concurrent with the State Courts, by express language—although

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[1] Act of Sept. 24, 1789; 1 Stat. 73.

[2] Act of Feb. 13, 1801; 2 Stat. 89; (repealed in 1802)

[3] Act of March 3, 1875; 18 Stat. 470.

a case started in a State Court could be removed to the Federal Court. But by the Judiciary Act of 1887,[4] the right of removal was restricted to defendants, and the necessary amount in dispute was raised to $2000—and in 1911 to $3000.[5]

It is thus obviously immaterial herein that the State Court lacks jurisdiction to adjudicate claims under the Anti-Trust Laws of the United States. The suit in the State Court did not involve the Federal Anti-Trust Laws. This Court was obviously not referring to a Federal claim added *after removal* in the *Lambert, General Investment* and *Minnesota* cases above referred to. The State Court had jurisdiction, both of subject matter and person in the original action brought therein, which the District Court acquired on removal. But the Federal Court, likewise having full jurisdiction on removal, can also adjudicate claims under the Anti-Trust laws, as it is now asked to do. It is wholly unnecessary, because of the Constitution or the respective distribution of power between State and Federal Courts, to obtain jurisdiction that the plaintiff start over again in the Federal Court in Massachusetts or Ohio with personal service on Freeman—as the District Court insisted it must. The Federal Court now has jurisdiction and full power to act.

Many cases, of course, are brought originally in the Federal courts involving separate grounds of Federal jurisdiction, such as patents, copyrights, Federal trade-mark registration, Federal Anti-Trust laws and the like,—as well as diversity of citizenship. It should, of course, make no difference whatever, in an action removed from a State court

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[4] Act of Mar. 3, 1887; 24 Stat. 552.

[5] Act of March 3, 1911; 36 Stat. 1087. And see:
Frankfurter & Landis, The Business of the Supreme Court, (1928) pp. 64–69;
Frankfurter, "Distribution of Judicial Power Between United States and State Courts"—13 Cornell L.Q. 499 at 507–511 (June, 1928).

because of diversity of citizenship, that other grounds of Federal jurisdiction are added, *after removal,* as in the instant case—as the Federal Rules permit, by amendment and counterclaim. The only exception is when the State Court has no jurisdiction of the subject matter of the suit as brought in the State Court—as in the *Lambert, General Investment,* and *Minnesota* cases, *supra.*

B. *This jurisdiction of the Federal Court to adjudicate a claim under the Federal Anti-Trust laws, added to a common law claim for breach of contract, after removal from a State Court because of diversity of citizenship, is based on the jurisdiction of the Federal Courts over citizens of the United States. The petitioner Freeman is a resident and citizen of Ohio, and hence a citizen of the United States—Constitution, 14th Amendment. A national court, of course, has jurisdiction over its own nationals. By removing the action from the Massachusetts Court (which had jurisdiction over his person by service of process on him while present in the State) the petitioner himself invoked the jurisdiction of the national or Federal Court, and the Federal Court acquired jurisdiction over him as a citizen of the United States, and hence had jurisdiction and power to subject him to new claims (Federal or otherwise) which its Rules of Civil Procedure (here Rule 18a) permit to be brought against one properly within its jurisdiction.*

Restatement, Judgments, thus states the rule:

"Sec. 17. CITIZENSHIP.

A court of the United States may acquire jurisdiction over a citizen of the United States although he is not domiciled within the United States.

Comment:

a. *Citizenship as a basis of jurisdiction.* By the Fourteenth Amendment to the Constitution of the United States it is provided that 'All persons born or naturalized in the United States, and subject to the

jurisdiction thereof, are citizens of the United States and of the State wherein they reside.' A person born or naturalized in the United States is a citizen of the United States although he is domiciled in a foreign country. The United States has jurisdiction over its citizens although they are not present and are not domiciled in the United States. The allegiance owed by a citizen to the nation is a basis of jurisdiction. The Congress, therefore, may confer jurisdiction upon the courts of the United States over absent citizens. (See Restatement of Conflict of Laws, Sec. 80, Comment c.)"

A fortiori, of course, when the citizen is still domiciled within the United States.

Restatement, Judgments, further states (Sec. 5, Comment b).

"b. Judgments rendered by federal courts. The Federal Rules of Civil Procedure provide in Rule 4 (f) that 'All process other than a subpoena may be served anywhere within the territorial limits of the state in which the district court is held and, when a statute of the United States so provides, beyond the territorial limits of that state.' *The Congress could constitutionally provide that in actions brought in the federal courts service of process might be made anywhere within the United States, since the United States has jurisdiction over all persons anywhere within the United States; and although an action is brought in a federal district court in a particular State, the Congress could provide for personal service upon the defendant in another State.* The inconvenience to defendants which would result is a sufficient reason for the failure of the Congress ordinarily to permit the exercise of jurisdiction in such a manner, *although there is no constitutional objection to such exercise of jurisdiction.* In certain cases, indeed, the Congress even in proceedings in personam has permitted service

> of process outside the territorial limits of the State in which the district court is held."

And see:

Restatement, Conflict of Laws, Sec. 80.

The jurisdiction of the Federal Courts over the petitioner, who removed this action thereto, is therefore beyond question. And here the Federal Court in Massachusetts also had venue of the action (Title 28 USC, Sec. 112; *supra* p. 8), but even if it had not, it is now well settled when a defendant removes an action to the Federal Court because of diversity of citizenship, that he thereby waives all objection to venue or locality of the suit.

In *In re Moore*, 209 U.S. 490 (1907), Mr. Justice Brewer said (p. 496):

> "That the defendant consented to accept the jurisdiction of the United States court is obvious. It filed a petition for removal from the State to the United States Court. No clearer expression of its acceptance of the jurisdiction of the latter court could be had."

And see page 506.

See also:

Lee v. *Chesapeake & Ohio Ry. Co.*, 260 U.S. 653 (1922).

Kreigh v. *Westinghouse, Church, Kerr & Co.*, 214 U.S. 249 at 252–3 (1908).

Western Loan & Savings Co. v. *Butte & Boston Mining Co.*, 210 U.S. 368 at 369 (1907).

Commercial Casualty Ins. Co. v. *Consol. Stone Co.*, 278 U.S. 177 at 179 (1928) and cases cited therein.

Philadelphia & Reading Coal & Iron Co. v. *Keslusky* 209 F. 197 at 199 (C.C.A. 2, 1913).

Memphis Savings Bank v. *Houchens*, 115 F. 96 at 101–102 (C.C.A. 8, 1902).

As Mr. Justice Frankfurter said in *Neirbo Co.* v. *Bethlehem Ship Building Corp.*, 308 U.S. 165 (1939) in an analogous situation (pp. 167–8):

"The jurisdiction of the federal courts—their power to adjudicate—is a grant of authority to them by Congress and thus beyond the scope of litigants to confer. But the locality of a lawsuit—the place where judicial authority may be exercised—though defined by legislation relates to the convenience of litigants and as such is subject to their disposition. This basic difference between the court's power and the litigant's convenience is historic in the federal courts. After a period of confusing deviation it was firmly re-established in *General Invest. Co.* v. *Lake Shore & M. S. R. Co.*, 260 U.S. 261, and *Lee* v. *Chesapeake & O. R. Co.*, 260 U.S. 653, overruling *Ex parte Wisner*, 203 U.S. 449, and qualifying *Re Moore*, 209 U.S. 490. All the parties may be non-residents of the district where suit is brought. *Lee* v. *Chesapeake & O. R. Co., supra.* Section 51 'merely accords to the defendant a personal privilege respecting the venue, or place of suit, which he may assert, or may waive, at his election.' *Commercial Casualty Ins. Co.* v. *Consolidated Stone Co.*, 278 U.S. 177, 179.

Being a privilege, it may be lost. It may be lost by failure to assert it seasonably, by formal submission in a cause, or by submission through conduct. *Commercial Casualty Ins. Co.* v. *Consolidated Stone Co., supra.* Whether such surrender of a personal immunity be conceived negatively as a waiver or positively as a consent to be sued, is merely an expression of literary preference. The essence of the matter is that courts affix to conduct consequences as to place of suit consistent with the policy behind Sec. 51, which is 'to save defendants from inconveniences to which they might be subjected if they could be compelled to answer in any district, or wherever found'. *General Invest. Co.* v. *Lake Shore & M. S. R. Co., supra* (260 U.S. at 275)."

C. Furthermore, by removing the case to the Federal Court, and conduct constituting a general appearance therein, defendant further submitted himself to the jurisdiction of the Federal Court for all purposes, as if he applied as plaintiff to that court to hear his dispute, and hence that court acquired jurisdiction and power over the defendant to subject him to such new claims are are within the jurisdiction and competence of the Federal Court and permitted under its rules to be brought against such a defendant. Jurisdiction over the defendant's person to adjudicate added claims against him was thus additionally acquired by consent.

The Federal Courts, of course, in diversity of citizenship cases have a jurisdiction concurrent with that of the State Court, whether the case is brought therein orginally or removed thereto from a State Court. Historically, of course, jurisdiction of the Federal Courts in diversity of citizenship cases was conferred under the Constitution (Art. 3, Sec. 2) to prevent apprehended discrimination in state courts against those not citizens of the State.

Erie Railroad Co. v. *Tompkins*, 304 U.S. 64 at 74 (1937).

Bank of the United States v. *Deveaux*, 5 Cranch 61 at 87 (U.S. 1809).

Gordon v. *Longest*, 16 Peters 97 at 104 (1842).

Friendly, Historic Basis of Diversity Jurisdiction, 41 Harvard Law Rev. 483 (1928).

Frankfurter, Distribution of Judicial Power Between United States & State Courts, 13 Cornell L.Q. 499 at 520–523 (1928).

A defendant in a suit in a State Court involving diversity of citizenship is thus given the right of removing it to the Federal Court—Title 28 U.S.C. Sec. 71. *He has the right to select the forum, State or Federal, which shall hear his*

dispute. There is no compulsion on defendant to remove the case. Removal is wholly his voluntary act. But by so doing he becomes the actor and thus invokes the jurisdiction of the Federal Courts to hear his cause, and, when he enters a general appearance, he clearly submits his person to the jurisdiction of the Federal Court for all purposes, just as if he applied to that Court, as a plaintiff, to hear his dispute. Hence he subjects himself to new claims permitted under Federal Statutes and Rules to be brought against an opposing party over whom jurisdiction has been properly obtained. This is in accord with the settled rules of jurisprudence, and the decisions of this Court. The general rule is thus stated in *Restatement, Judgments, Secs.* 18, 19:

> "*Sec. 18.* Consent.
>
> A court may acquire jurisdiction over an individual if he consents to the exercise of jurisdiction over him."
>
> "*Sec. 19.* General Appearance.
>
> A court may acquire jurisdiction over an individual by his general appearance in the action."

See also:

> *Restatement, Conflict of Laws, Secs.* 81, 82.

The *Restatement, Conflict of Laws, Sec.* 82 expressly states in Comment d, page 126:

> "d. *Subsequent amendments to complaint after appearance.* When by the law of the state in which the action is brought, an appearance is such as to subject him to the jurisdiction of the court generally, jurisdiction attaches not only with respect to claims stated in the original complaint but also to the claims by the same plaintiff stated in amendments to the complaint if the law of the state where the action is brought so provides at the time of the appearance.

Illustration:

1. A brings an action against B in a court of state X alleging that B beat A. B enters an appearance in the action. By the law of X, at the time such an appearance subjects the defendant to all claims of the plaintiff which may be added by amendment. Subsequently A amends his complaint by adding a count in slander. The court has jurisdiction to render a judgment against B for the slander."

In *Lanasa* v. *Beggs*, 159 Md. 311, 151 Atl. 21 (1930), in an analogous situation, Judge Parke said (159 Md. at 314):

"The present purpose of an attachment against a nonresident tort-feasor is to compel his appearance to an ordinary action at law, and to secure meanwhile a specific lien on his property attached until a good and sufficient bond is substituted. Code, art. 9, sec. 19. *If, instead of suffering the attachment proceedings to take their course, such nonresident wrongdoer take the other alternative and elect to appear to the action, he must be held bound by the principles and rules of pleading and practice which prevail in the court to whose jurisdiction he has voluntarily submitted, since his appearance is by choice,* and an action for wrongs independent of contract against a nonresident does not differ in substance and procedure from an action against any other defendant in a suit *in personam* within the general jurisdiction of the court. So, the nonresident defendant may plead any available defense and he is bound by the law and procedure of the forum in the conduct of the case, unaffected by the fact that an attachment was issued or is outstanding.

Accord:

Turner v. *Jarboe,* 145 Kan. 202 at 209, 64 Pac. 2d 26 (1937).

In *DeLima* v. *Bidwell,* 182 U.S. 1 (1900), Mr. Justice Brown said, (p. 174):

> "1. Did the question of jurisdiction raised by the demurrer involve only the jurisdiction of the Circuit Court as a Federal court, we should be obliged to say that the defendant was not in a position to make this claim since the case was removed to the Federal Court upon his own petition. *It is no infringement upon the ancient maxim of the law that consent cannot confer jurisdiction, to hold that, where a party has procured the removal of a cause from a state court upon the ground that he is lawfully entitled to a trial in a Federal court, he is estopped to deny that such removal was lawful, if the Federal court could take jurisdiction of the case, or that the Federal court did not have the same right to pass upon the questions at issue that the state court would have had if, the cause had remained there.* Defendant neither gains nor loses by the removal, and the case proceeds as if no such removal had taken place. *Cowley* v. *Northern Pacific Railroad Co.,* 159 U.S. 569, 583; *Mansfield Railway Co.* v. *Swan.* 111 U.S. 379; *Mexican Nat. Railroad* v. *Davidson,* 157 U.S. 201."

In *Cowley* v. *Northern Pacific Railroad Co.,* 159 U.S. 569 (1895), Mr. Justice Brown said (p. 583):

> "The case having been removed to the Circuit Court upon petition of defendant, it does not lie in its mouth to claim that such court had no jurisdiction of the case, *unless the court from which it was removed had no jurisdiction.*"

In *Spencer* v. *Duplan Silk Co.*, 191 U.S. 526 (1903), Chief Justice Fuller said (pp. 531–2):

> "Plaintiff brought his action in the state court, and its removal on the ground of diverse citizenship placed it in the circuit court as if it had been commenced there on that ground of jurisdiction, . . ."

D. *The same rule of jurisdiction obtained by consent is illustrated by the jurisdiction obtained over a plaintiff as to counterclaim and cross actions which may be brought against him under the law of the State. Restatement, Judgments* Sec. 21 thus states the rule:

Sec. 21. JURISDICTION OVER PLAINTIFF:

> "An individual who brings an action is subject to the jurisdiction of the court as to the cause of action, and, if the law of the State so provides at the time of the beginning of the action, as to any cause of action against him by the defendant which the defendant may rely upon as a counterclaim or independent cross-action."

To similar effect is *Restatement, Conflict of Laws*, Sec. 83. Cases applying this principle are numerous.

In *Merchants Heat & Light Co.* v. *J. B. Clow & Sons*, 204 U.S. 286 (1906) a suit based on diversity of citizenship, where defendant counterclaimed and then objected to the jurisdiction of the court over its person, Mr. Justice Holmes said (pp. 289-290):

> "We assume that the defendant lost no rights by pleading to the merits, as required, after saving its rights. . . . *But by setting up its counterclaim the defendant became a plaintiff in its turn, invoked the jurisdiciton of the court in the same action and by invoking submitted to it. . . . This single fact shows*

> ***that the defendant if, he elects to sue upon his claim in the action against him, assumes the position of an actor and must take the consequences.*** The right to do so is of modern growth, and is merely a convenience that saves bringing another suit, not a necessity of the defense. . . .
>
> There is some difference in the decisions as to when a defendant becomes so far an actor as to submit to the jurisdiction, but we are aware of none as to the proposition that when he does become an actor in a proper sense he submits. *DeLima* v. *Bidwell,* 182 U.S. 1, 174; *Fisher* v. *Shropshire,* 147 U.S. 133, 145; *Farmer* v. *National Life Association,* 138 N.Y. 265, 270."

Hence by removing his case, thus selecting his forum and entering a general appearance, the petitioner here invoked the jurisdiction of the Federal court, and by invoking, submitted to it. By so doing he assumed the position of an actor, and must take the consequences, that plaintiff may amend his complaint to add a Federal claim, under Rule 18(a).

In *Adam* v. *Saenger,* 303 U.S. 59, Mr. Justice Stone said (pp. 67–68):

> "There is nothing in the Fourteenth Amendment to prevent a state from adopting a procedure by which a judgment in personam may be rendered in a cross-action against a plaintiff in its courts upon service of process or of appropriate pleading upon his attorney of record. The plaintiff having, by his voluntary act in demanding justice from the defendant, submitted himself to the jurisdiction of the court, there is nothing arbitrary or unreasonable in treating him as being there for all purposes for which justice to the defendant requires his presence. It is the price which the state may exact as the condition of opening its court

to the plaintiff. *Frank L. Young Co.* v. *McNeal-Edwards Co.* 283 U.S. 398, 400, 75 L. ed. 1140, 1141, 51 S. Ct. 538; compare *Chicago & N. W. R. Co.* v. *Lindell*, 281 U.S. 14, 17, 74 L. ed. 670–672, 50 S. Ct. 200."

In *Fisher* v. *Shropshire*, 147 U.S. 133 (1892), Mr. Justice Fuller said (p. 145):

> *"The suit was removed into the Circuit Court of the United States by the defendant John Lyle, and having done that, he then contended that the court had no jurisdiction, because George Lyle was an indispensable party defendant, and he was a citizen of the same State as complainants. We do not think this will do.* If George Lyle, who was fully aware of the pendency of the suit and gave his testimony therein, desired to set up equities which he claimed arose from the payment of part of the purchase price of the property before the suit was brought he might, as pointed out by the Circuit Court, have intervened in the cause, for the protection of his rights, without ousting the jurisdiction. *This he did not do, and we are not prepared to hold the Circuit Court should be deprived of jurisdiction at the suggestion of the party who voluntarily invoked it."*

In *Leman* v. *Krentler-Arnold Hinge Last Co.*, 284 U.S. 448 (1931), the plaintiff, a non-resident, brought a patent infringement suit against the defendant in the District Court of Massachusetts. The defendant counterclaimed for infringement of another patent. The plaintiff's suit was dismissed and the defendant recovered on its counterclaim and subsequently brought a contempt proceeding. The plaintiff objected that the court had acquired no personal jurisdiction over it in Massachusetts. Mr. Justice Hughes said (p. 451):

"First. The question of jurisdiction turns upon the nature and effect of the decree in the infringement suit and the relation to that suit of the contempt proceeding. When the respondent brought the suit in the Federal District Court for the District of Massachusetts, it submitted itself to the jurisdiction of the court with respect to all the issues embraced in the suit, including those pertaining to the counterclaim of the defendants, petitioners here. Equity Rule 30. See Langdell, Eq. Pl. Chap. 5, Sec. 119; *Frank L. Young Co.* v. *McNeal-Edwards Co.*, 283 U.S. 398, 400, 75 L. ed. 1140, 1141, 51 S. Ct. 538."

In *Frank L. Young Co.* v. *McNeal-Edwards Co.*, 283 U.S. 398, Mr. Justice Holmes said in a case arising under the Conformity Act (pp. 400–401):

"Giving the counterclaim the formality of a separate suit hardly is a sufficient reason for refusing to apply the local policy and law. *Arkwright Mills* v. *Aultman & T. Machinery Co.* (C.C.) 128 Fed. 195, 196. Mr. Langdell observes that there is no necessity for such ceremony in the nature of things 'for, the plaintiff being already in court qua plaintiff by his own voluntary act, it is reasonable to treat him as being there for all the purposes for which justice to the defendant requires his presence'. Langdell, Eq. Pl. chap. 5, Sec. 119. The characterization of the contrary doctrine as pernicious by Mr. Justice Miller in *Partridge* v. *Phoenix Mut. L. Ins. Co.*, 15 Wall. 573, 21 L. ed. 229, is repeated in *Chicago & N. W. R. Co.* v. *Lindell*, 281 U.S. 14, 17, 74 L. ed. 670, 672, 50 S. Ct. 200. We see no reason to doubt the constitutionality of the present application of the state law. The policy of it is embodied in equity rule 30. See *Aldrich* v. *E. W. Blatchford & Co.*, 175 Mass. 369, 56 N.E. 700.

> The case is within the jurisdiction of the district court in all other respects if the respondent has been served with process effectively. We are of opinion that the service was good and that the case should not have been dismissed."

In *Chicago & Northwestern Railway Co.* v. *Lindell,* 281 U. S. 14 (1929) Mr. Justice Butler said (p. 17:

> "The adjustment of defendant's demand by counterclaim in plaintiff's action rather than by independent suit is favored and encouraged by the law. That practice serves to avoid circuity of action, inconvenience, expense, consumption of the court's time and injustice. . . . *Partridge* v. *Phoenix Mut. L. Ins. Co.,* 15 Wall. 573, 579, 21 L. ed. 229, 230. In the case last mentioned the court, speaking through Mr. Justice Miller, said (p. 580): 'It would be a most pernicious doctrine to allow a citizen of a distant state to institute in these courts a suit against a citizen of the state where the court is held and escape the liability which the laws of the State have attached to all plaintiffs of allowing just and legal setoffs and counterclaims to be interposed and tried in the same suit and in the same form."

See also:

General Electric Co. v. *Marvel Rare Metals Co.* 287 U.S. 430 at 435 (1932).

Alexander v. *Hillman,* 296 U.S. 222 at 238, 240–1 (1935).

American Mills Co. v. *American Surety Co.,* 260 U.S. 360 at 366 (1922).

Beale, Conflict of Laws, Sec. 83.

By acting voluntarily and affirmatively in removing the case to the Federal Court and thus selecting his forum, the

defendant becomes the actor, invokes the jurisdiction of the Federal Court to adjudicate his cause, and cannot now be heard to say that the Federal Court lacks jurisdiction to hear an additional claim arising out of the same transaction and expressly permitted to be brought against the defendant under its rules of procedure, Rule 18(a).

We thus have ample grounds of jurisdiction for the Federal Court to render a valid judgment herein in the added claim under the Federal Anti-Trust laws. As well summarized in the *Restatement, Conflict of Laws,* (Sec. 77):

> "Sec. 77. Bases of Jurisdiction.
>
> (1) The exercise of jurisdiction by a state through its courts over an individual may be based upon any of the following circumstances:
>
> (a) the individual is personally present within the state,
>
> (b) he has his domicile within the state,
>
> (c) he is a citizen or subject owing allegiance to the nation,
>
> (d) he has consented to the exercise of jurisdiction,
>
> (e) he has by acts done by him within the state subjected himself to its jurisdiction."

The Massachusetts Court had jurisdiction over the original claim and the person of the defendant on the ground (a) This was transferred to the Federal Court on the removal. But by the act of removal and general appearance thereafter, the Federal Court also gained jurisdiction over the defendant on grounds (c) and (d), as well. The jurisdiction of the Federal Court herein to render a valid judgment in the Federal Anti-Trust suit is therefore unassailable, we submit.

E. This case is not one, therefore, where it may be said that the only ground for jurisdiction is personal service upon the defendant while temporarily within Massachusetts,

and that the defendant, appearing specially, has submitted himself to the jurisdiction of the Court only for the purpose of the original claim, but not for additional claims. Here the Federal Court as a national court, invoked by the defendant himself, has jurisdiction over its own nationals, and the power to subject them to its own rules. Furthermore, by his voluntary, affirmative act of removing his case and asking the Federal Court to hear the cause, the defendant has become the actor and has invoked its jurisdiction and has submitted himself to it, and hence is properly subject to any other claim which may be brought against him as provided by the laws and rules of the Federal Court in effect at the time of the removal. He has thus additionally conferred jurisdiction on the Federal Court over his person by consent.

Clearly distinguishable, therefore, are cases like:

Ex parte Indiana Transportation Co., 244 U.S. 456 (1916) where appearance upon a libel *in personam* was held not to empower the Court to allow additional claimants to intervene without new service on the defendant. The case can be treated precisely as if it were an appearance by unauthorized attorney as to the additional claimants, (Restatement, Conflict of Law, Sec. 83, Comment e.).

New York Life Ins. Co. v. *Dunlevy*, 241 U.S. 518 (1915), where the respondent was not a citizen of Pennsylvania at the time of the interpleader proceedings and had not submitted voluntarily to the jurisdiction of the Pennsylvania Court by affirmative act, as in the instant case.

F. It is likewise obviously immaterial that under the law of Massachusetts applicable to actions in the State Courts, actions of contract and of tort cannot be joined. In the Federal Courts, the Federal Rules of Civil Procedure expressly apply to all suits of a civil nature therein, unless

expressly excepted—Rules 1 and 81, and particularly Rule 81(c). The Federal Rules, of course, have the force and effect of statute—Title 28 USC, Secs. 723 b and c. The Conformity Act, Title 28 USC, Sec. 724 has been expressly repealed and superseded by the Federal Rules of Civil Procedure. No one, of course, doubts Federal power over procedure in the Federal Courts. As Mr. Justice Reed said in *Erie RR. Co.* v. *Tompkins*, 304 U.S. 64 at 92:

> "The line between procedural and substantive law is hazy but no one doubts federal power over procedure. *Wayman* v. *Southard*, 10 Wheat. 1. 6 L. ed. 253. The Judiciary Article and the 'necessary and proper' clause of Article One may fully authorize legislation, such as this section of the Judiciary Act."

And see:

Wayman v. *Southard*, 10 Wheat. 1 at 21–22, 24–26 (1825).

Ex parte Fisk, 113 U.S. 713 at 724–726 (1884).

Northern Pacific R. Co. v. *Paine*, 119 U.S. 561 at 563 5 (1886).

Hurt v. *Hollingsworth*, 100 U.S. 100 at 103–4 (1880).

To what extent State procedure and remedies are applicable in the Federal Courts now depends, of course, on the express provisions of the Federal Rules of Civil Procedure —as, for instance, in Rules 43, and 64, relating to evidence, attachment, garnishment and the like. Likewise to understand the decisions, we must bear in mind the Federal Statutes regulating procedure in the Federal Courts at the particular time—such as the Conformity Act. Thus, *East Tennessee Va. & Ga. R. Co.* v. *Southern Telegraph Co.*, 112 U.S. 306 (1884) (Petitioner's Brief, pp. 16–17) involved a statutory proceeding under the Rule of Decision Act. *Rorick* v. *Devon Syndicate Ltd.*, 307 U.S. 299 (1938) is also dis-

tinguishable. It arose before the effective date of the Federal Rules of Civil Procedure (Sept. 16, 1938) and was governed by the Federal attachment statute then in effect—Title 28 U.S.C. Sec. 726—and would now be governed by Rule 64 of the Federal Rules of Civil Procedure.

Neither is the situation affected by the rule of *Erie RR. Co.* v. *Tompkins,* 304 U.S. 64 (1937). There is no thought that in such a case, in the Federal Courts because of diversity of citizenship, that State procedure will apply, except as expressly provided in the Federal Rules of Civil Procedure. Furthermore, *Erie RR. Co.* v. *Tompkins,* after all, merely construes the Rule of Decision Act, Title 28 U.S.C. Sec. 725, and this Court's construction of it is expressly incorporated into the Rules of Civil Procedure. See Rule 81(e) and Note of the Advisory Committee.

G. Petitioner's quarrel with the policy of Congress in permitting a suit under the Anti-Trust Laws of the United States to be brought against the defendant where "he is found" (Title 15, U.S. Sec. 15)—that it "completely disregards the hardship on the defendant"—is misdirected, and overlooks the equal hardship on the plaintiff if compelled to sue only in the district of defendant's residence. Congress obviously weighed the competing interests of the parties and the public in specifying the district of suit.

VII. CONCLUSION.

There can thus be no question that the Federal Court here has jurisdiction and power to subject the petitioner, who removed his case thereto, to a new or Federal claim permitted to be brought against him under its Rules. In thus invoking its jurisdiction, he subjected himself to its rules. The petitioner here, of course, cannot invoke the jurisdiction of the Federal Courts for purposes which suit his convenience and deny it for those that do not. Hence

it was no "subterfuge" for respondent to amend its complaint after removal to add an action under the Anti-Trust laws of the United States—as expressly permitted by the Federal Rules of Civil Procedure—nor does it constitute a denial of due process of law under the 5th Amendment of the Federal Constitution for the Federal Court to permit respondent to do so.

We respectfully submit that the judgment of the Circuit Court of Appeals should be affirmed.

Respectfully submitted,

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Boston, Mass., April 24, 1943.

APPENDIX A.

Note in 51 Harvard Law Review 927–928 (1938), re Carroll v. Warner Bros. Pictures, 20 F. Supp. 405.

Federal Courts—Removal Jurisdiction—Amendment to the Complaint After Removal to Include Cause of Action Within Exclusive Federal Jurisdiction—In an action brought in a New York court, the plaintiff alleged that, at the defendant's request, he had submitted a scenario to the defendant motion picture producer; that the defendant had rejected the script, but later had registered the plot with a motion picture producers' association; that by the rules of the association, registration of a motion picture subject gave the defendant exclusive rights; and that other producers, in conformity with the practice of their association, had refused to purchase the plaintiff's scenario. The complaint included three separate counts for slander of title, unjust enrichment, and for services rendered. The defendant removed the case to the federal district court, and the plaintiff thereafter amended his complaint to include a fourth count alleging an unlawful combination in restraint of trade. The defendant moved to dismiss the complaint for failure to state a cause of action. Held, that although the second and third counts stated causes of action, the fourth count, based upon violation of the federal antitrust laws, must be dismissed for lack of jurisdiction over the subject matter. Fourth count dismissed. *Carroll* v. *Warner Bros. Pictures,* 20 F. Supp. 405 (S.D.N.Y. 1937).

The federal courts alone have jurisdiction in cases arising under the federal anti-trust laws. 38 Stat. 731 (1914) 15 U.S.C. Sec. 15 (1934); see *Blumenstock Bros. Advtg. Agency* v. *Curtis Publishing Co.,* 252 U.S. 436, 440 (1920). When such an action is brought in a state court, therefore, and subsequently removed, it is held that jurisdiction over the action is not acquired by the removal to the federal court

and that the action must be dismissed, even though the court would have taken cognizance of a similar case brought before it originally. *General Investment Co.* v. *Lake Shore & Mich. So. Ry.*, 260 U.S. 261, 286 (1922). This result is best explained on the ground that, because of lack of jurisdiction, no cause was in fact pending before the state court, and that therefore none was removed to the federal court. See *Fidelity Trust Co.* v. *Gill Car Co.*, 25 Fed. 737 (S.D. Ohio 1885). *Where the state court has jurisdiction over the parties and the subject matter, however, this rationale fails, even if the complaint were demurrable for failure to state a cause of action. To allow the plaintiff, after removal, to amend his complaint to set forth a violation of the antitrust laws would not seem to do violence to the removal statutes, which provide that the district court shall proceed "as if the suits had been originally commenced in the said district court".* 18 Stat. 472 (1875) 28 USC Sec. 81 (1934). Moreover, if the plaintiff had pleaded the facts necessary for a cause of action under the anti-trust laws, it is arguable that his theory of action is immaterial and that he should be allowed to proceed even without amendment. *Cf. McAllister* v. *Sloan*, 81 F. (2d) 707 (CCA 8th, 1936). Since the original complaint contained no demand for treble damages, however, such a holding would seem unduly severe on the defendant. Nevertheless, the plaintiff does not seem injured by the court's holding, *so long as the defendant is still available for service*, beyond the inconvenience of instituting a separate action. The dismissal of the antitrust count for lack of jurisdiction of the subject matter does not make that cause of action *res judicata*, and the mere pendency of the suit for unjust enrichment would probably not be held to prevent a second suit on the other theory. *However, since a separate action brought in the district court might properly be consolidated with the removed case, the court seems to reach an unnecessarily technical result by its denial of jurisdiction.* 3 Stat. 21 (1813) 28 USC Sec. 734 (1934).

APPENDIX B.

Moore's Federal Practice Under the New Federal Rules.

Sec. 15.01 (pp. 787–8):

The only qualification to the Rule is that federal jurisdiction be neither enlarged nor restricted. This matter is well illustrated by the recent case, *Carroll* v. *Warner Bros. Pictures.*[11] This case was commenced in a New York state court; the complaint included three separate counts for slander of title, unjust enrichment, and for services rendered. The plaintiffs alleged that, at the request of the defendant motion picture producer, they had submitted a scenario to it; that the defendant rejected the scenario, but later registered the plot with a motion picture producers' association, and because of this registration other producers had, pursuant to the practice of their association, refused to purchase the plaintiffs' scenario. The action was removed to the federal court, and there the plaintiffs amended their complaint to include a fourth count, which charged a combination or conspiracy in restraint of trade in violation of the federal anti-trust laws. The federal court dismissed the fourth count on its own motion on the theory that as the action was a removed one its jurisdiction was derivative;[12] that the New York court would not have had jurisdiction of the fourth count, and hence the federal

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[11] (S.D.N.Y. 1937) 20 F. Supp. 405, noted in (1938) 51 Harv. L. Rev. 927.

[12] In *Lambert Run Coal Co.* v. *Baltimore & Ohio R. Co.* (1922) 258 U.S. 377, 382, 42 S. Ct. 349, 351, 66 L. Ed. 672, 675, Justice Brandeis wrote: "The jurisdiction of the federal court on removal is, in a limited sense, a derivative jurisdiction. If the state court lacks jurisdiction of the subject-matter or of the parties, the Federal court acquires none, although it might in a like suit orginally brought there have had jurisdiction.

court lacked jurisdiction. The theory of the case that an amendment cannot enlarge jurisdiction is eminently sound. Its application, however, is subject to criticism. Had the fourth count appeared in the complaint filed in the state court, dismissal of that count for lack of jurisdiction, after removal, would have followed the doctrine of the *General Investment Co.* v. *Lake Shore & M. S. Ry.*[13] case. This case established the proposition that if an action is commenced in a state court, over which that court does not have jurisdiction, and is subsequently removed into the federal court, the action must be dismissed, even though the federal court would have taken jurisdiction of a similar case brought before it originally.[14] But it is doubtful if the doctrine of the *General Investment Co.* case applied to the instant case. The New York court did not have jurisdiction of the action as brought; the federal court acquired jurisdiction of the action on removal; and hence it would seem that the federal court had jurisdiction to permit an amendment, which sets

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[13] (1922) 260 U.S. 261, 288, 43 S. Ct. 106, 117, 67 L. Ed. 244, 260: "When a cause is removed from a state court into a federal court, the latter takes it as it stood in the former. A want of jurisdiction in the state court is not cured by the removal, but may be asserted after it is consummated. *Cain* v. *Commercial Publishing Co.*, 232 U.S. 124, 131, 34 S. Ct. 284, 58 L. Ed. 534, 537; *Cowley* v. *Northern Pacific R. Co.*, 159 U.S. 569, 583, 16 S. Ct. 127, 40 L. Ed. 263, 267; *DeLima* v. *Bidwell*, 182 U.S. 1, 174, 21 S. Ct. 743, 45 L. Ed. 1041; *Lambert Run Coal Co.* v. *Baltimore & Ohio R. Co.*, 258 U.S. 377, 42 S. Ct. 349, 66 L. Ed. 671."

[14] *Ibid.* This result can be explained on the ground that, because of lack of jurisdiction, no action was in effect pending in the state court, and therefore the federal court could not validly obtain jurisdiction on removal. *Fidelity Trust Co.* v. *Gill Car Co.*, (S.D. Ohio 1885) 25 Fed. 737.

up a claim within its jurisdiction.[15] The holding of the instant case compels the plaintiff to institute a separate action for violation of the anti-trust laws. But if this is done, and the action is brought in the federal district court where the removed action is pending the court may consolidate it with the removed action pursuant to Rule 42. Since federal jurisdiction will not be enlarged by the amendment, practical considerations justify amendment in situations of this kind.

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[15] One of the sections of the general removal statute, 28 U.S.C. Sec. 81, provides that the district court shall provide "as if the suit had been originally commenced in the said district court."

SUPREME COURT OF THE UNITED STATES.

No. 707.—October Term, 1942.

Benjamin W. Freeman, Petitioner, *vs.* Bee Machine Company, Inc. } On Writ of Certiorari to the United States Circuit Court of Appeals for the First Circuit.

[June 1, 1943.]

Mr. Justice Douglas delivered the opinion of the Court.

It was held in *Lambert Run Coal Co.* v. *Baltimore & Ohio R. Co.*, 258 U. S. 377, 382, that where a state court lacks jurisdiction of the subject matter or of the parties, the federal District Court acquires none on a removal of the case. And see *General Inv. Co.* v. *Lake Shore & M. S. Ry. Co.*, 260 U. S. 261, 288; *Venner* v. *Michigan Central R. Co.*, 271 U. S. 127, 131; *Minnesota* v. *United States*, 305 U. S. 382, 389. That is true even where the federal court would have jurisdiction if the suit were brought there. *Lambert Run Coal Co.* v. *Baltimore & Ohio R. Co., supra.* As stated by Mr. Justice Brandeis in that case, "The jurisdiction of the federal court on removal is, in a limited sense, a derivative jurisdiction." 258 U. S. p. 382. The question in this case is whether the rule of those decisions is applicable to a situation involving the following facts:

Petitioner is a resident of Ohio; respondent is a Massachusetts corporation. Respondent brought an action at law against petitioner in the Superior Court of Massachusetts for breach of a contract. Petitioner was personally served when he happened to be in Boston. Petitioner appeared specially and caused the action to be removed to the federal District Court in Massachusetts, petitioner being a non-resident of Massachusetts and there being diversity of citizenship and the requisite jurisdictional amount. Judicial Code § 28, 28 U. S. C. § 71. Petitioner thereupon entered a general appearance[1] — he answered, interposing several defenses including *res judicata;* he also filed a counterclaim. He then moved for a summary judgment. Shortly before

[1] See Western Loan & S. Co. v. Butte & B. Mining Co., 210 U. S. 368, 372; American Surety Co. v. Baldwin, 287 U. S. 156, 165.

that motion came on to be heard respondent moved to amend its declaration by adding a complaint for treble damages under § 4 of the Clayton Act.[2] 38 Stat. 731, 15 U. S. C. § 15. The District Court granted petitioner's motion for summary judgment. 41 F. Supp. 461. But it denied respondent's motion to amend, being of the view that it had no jurisdiction to allow the amendment. 42 F. Supp. 938. In reaching that result the District Court expressed doubts that the venue requirements of § 4 of the Clayton Act were satisfied. But it expressly declined to rest on that basis and placed its decision solely on the *Lambert Co.* line of cases. On appeal the Circuit Court of Appeals sustained the ruling of the District Court on the motion for summary judgment but disagreed with its view on the motion to amend. 131 F. 2d 190. The case is here on a petition for a writ of certiorari which we granted because of the importance of the problem and the contrariety of views which had developed concerning it.[3]

The *Lambert Co.* case and those which preceded[4] and followed it merely held that defects in the jurisdiction of the state court either as respects the subject matter or the parties[5] were not cured by removal but could thereafter be challenged in the federal court. We see no reason in precedent or policy for extending that rule so as to bar amendments to the complaint, otherwise proper, merely because they could not have been made if the action had remained in the state court.[6] If the federal court has jurisdiction of the removed cause and if the amendment to the complaint could have been made had the suit originated in the federal court, the fact that the federal court acquired jurisdiction by removal does not deprive it of power

[2] That section provides: "Any person who shall be injured in his business or property by reason of anything forbidden in the antitrust laws may sue therefor in any district court of the United States in the district in which the defendant resides or is found or has an agent, without respect to the amount in controversy, and shall recover threefold the damages by him sustained, and the cost of suit, including a reasonable attorney's fee." That section derived from § 7 of the Sherman Act. See Eastman Kodak Co. *v.* Southern Photo Materials Co., 273 U. S. 359, 371-374.

[3] See Noma Electric Corp. *v.* Polaroid Corp., 2 F. R. D. 454; Carroll *v.* Warner Bros. Pictures, Inc., 20 F. Supp. 405; Howe *v.* Atwood, 47 F. Supp. 979, 984. Cf. Newberry *v.* Central of Georgia Ry. Co., 276 Fed. 337, 338.

[4] See Goldey *v.* Morning News, 156 U. S. 518; De Lima *v.* Bidwell, 182 U. S. 1, 174; Courtney *v.* Pradt, 196 U. S. 89, 92; American Well Works Co. *v.* Layne & Bowler Co., 241 U. S. 257, 258.

[5] Wabash Western Ry. *v.* Brow, 164 U. S. 271; Hassler, Inc. *v.* Shaw, 271 U. S. 195; Employers Reinsurance Corp. *v.* Bryant, 299 U. S. 374.

[6] It is clear that the Massachusetts state court did not have jurisdiction over the cause of action under the Anti Trust laws. See 15 U. S. C. § 15, *supra*, note 2; Blumenstock Bros. *v.* Curtis Pub. Co., 252 U. S. 436, 440.

to allow the amendment. Though this suit as instituted involved only questions of local law, it could have been brought in the federal court by reason of diversity of citizenship.[7] The rule of *Erie Railroad Co.* v. *Tompkins*, 304 U. S. 64, is, of course, applicable to diversity causes removed to the federal courts as well as to such actions originating there. But if the federal court has jurisdiction of the removed cause (*Mexican Nat. R. Co.* v. *Davidson*, 157 U. S. 201), the action is not more closely contained than the one which originates in the federal court. The jurisdiction exercised on removal is original not appellate. *Virginia* v. *Rives*, 100 U. S. 313, 320. The forms and modes of proceeding are governed by federal law. *Thompson* v. *Railroad Companies*, 6 Wall. 134; *Hurt* v. *Hollingsworth*, 100 U. S. 100; *West* v. *Smith*, 101 U. S. 263; *King* v. *Worthington*, 104 U. S. 44; *Ex parte Fisk*, 113 U. S. 713; *Northern Pacific R.* v. *Paine*, 119 U. S. 561; *Twist* v. *Prairie Oil & Gas Co.*, 274 U. S. 684; *Rorick* v. *Devon Syndicate, Ltd.*, 307 U. S. 299. Congress has indeed provided that in a suit which has been removed the District Court shall "proceed therein as if the suit had been originally commenced in said district court, and the same proceedings had been taken in such suit in said district court as shall have been had therein in said State court prior to its removal." Judicial Code § 38, 28 U. S. C. § 81. While that section does not cure jurisdictional defects present in the state court action, it preserves to the federal District Courts the full arsenal of authority with which they have been endowed. Included in that authority is the power to permit a recasting of pleadings or amendments to complaints in accordance with the federal rules. *West* v. *Smith*, *supra*; *Twist* v. *Prairie Oil & Gas Co.*, *supra*, p. 687.

It is said, however, that the amendment in question may not be made since the cause of action authorized by § 4 of the Clayton Act may be brought only in a District Court in the district "in which the defendant resides or is found or has an agent." 15 U. S. C. § 15. That requirement relates to venue. But venue in-

[7] Suits based on diversity of citizenship may be brought "only in the district of the residence of either the plaintiff or the defendant." Judicial Code § 51, 28 U. S. C. § 112. Congress has not made the same requirement on removal. Thus an action between citizens of different states begun in a court of a state of which neither is a citizen may be removed to the federal court of the district in which the suit is pending. Lee v. Chesapeake & Ohio Ry Co., 260 U. S. 653. See Neirbo Co. v. Bethlehem Shipbuilding Corp., 308 U. S. 165, 168. Indeed, the defendant must be a non-resident of the state in which suit is brought before he can remove to the federal court on the ground of diversity of citizenship. Patch v. Wabash R. Co., 207 U. S. 277.

volves no more and no less than a personal privilege which "may be lost by failure to assert it seasonably, by formal submission in a cause, or by submission through conduct." *Neirbo Co.* v. *Bethlehem Shipbuilding Corp.*, 308 U. S. 165, 168. On the face of the present record it would seem that any objection to venue has been waived. There is no indication in the record before us that any such objection was "seasonably asserted." *Commercial Ins. Co.* v. *Consolidated Stone Co.*, 278 U. S. 177, 179; *Interior Construction Co. v. Gibney*, 160 U. S. 217. As we have noted, the District Court did not place its ruling on the grounds of venue. Nor is there any indication in the record that petitioner raised the venue point in the District Court. But even if we assume that he did, it is not clear that the objection has been preserved here.[8]

But we need not rest on that narrow ground. Petitioner was personally served in the state court action. After the removal of the cause he entered a general appearance and defended on the merits. He also filed a counterclaim in the action. He thus invoked the jurisdiction of the federal court and submitted to it. *Merchants Heat & L. Co.* v. *Clow & Sons*, 204 U. S. 286. He was accordingly "found" in the district so as to give the District Court power to allow the complaint in that suit to be amended by adding a cause of action under § 4 of the Clayton Act. This venue provision was designed, as stated by Judge Learned Hand in *Thornburn* v. *Gates*, 225 Fed. 613, 615 "to remove the existing limitations upon the venue of actions between diverse citizens[9] and to permit the plaintiff to sue the defendant wherever he could catch him." But "found" in the venue sense does not necessarily mean physical presence. We noted in *Neirbo Co.* v. *Bethlehem Shipbuilding Corp.*, *supra*, pp. 170-171, that a corporation may be "found" in a particular district for venue purposes merely because it had consented to be sued there. The fact that it was present "only in a metaphorical sense" (308 U. S. p. 170) was not deemed significant. In the present case it is not

[8] The "only question" presented by the petition for writ of certiorari was "whether a plaintiff may amend his complaint in a removed action so as to state a new and independent cause of action against the defendant which would be outside the State Court's jurisdiction." That obviously is not a presentation of a question of venue of a federal district court under § 4 of the Clayton Act; and it can hardly be expanded into one by an incidental discussion of venue in the brief.

[9] See note 7, *supra*.

important that at the time of this amendment petitioner had returned to Ohio and was not physically present in Massachusetts. He was conducting litigation in Massachusetts. He was there for all purposes of that litigation. Having invoked the jurisdiction of the federal court and submitted to it he may not claim that he was present only for the limited objectives of his answer and counterclaim. He was present, so to speak, for all phases of the suit. That presence satisfies the venue provision of § 4 of the Clayton Act for the purpose of this amendment. The Rules of Civil Procedure are applicable to removed cases and "govern all procedure after removal." Rule 81(c). They permit joinder of claims (Rule 18) and contain the procedure for amendment of pleadings. Rule 15. And, as we have noted, Congress has directed the District Court after a case has been removed to "proceed therein as if the suit had been originally commenced in said district court." Judicial Code § 38, 28 U. S. C. § 81. There can be no doubt but that the court had the power under that statute and under the Rules to permit the joinder of the cause of action under the Clayton Act. If petitioner was subject to the jurisdiction of the court for purposes of the law suit, including an amendment of the complaint, he certainly was "found" there for the purpose of adding a cause of action under §4 of the Clayton Act. Process is of course a different matter. But under the Rules of Civil Procedure service of an amended complaint may be made upon the attorney[10] (Rule 5)—the procedure which apparently was followed here.

Affirmed.

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[10] See Adam v. Saenger, 303 U. S. 59, 67-68.

SUPREME COURT OF THE UNITED STATES.

No. 707.—October Term, 1942.

Benjamin W. Freeman, Petitioner,
vs.
Bee Machine Company, Inc.
} On Writ of Certiorari to the United States Circuit Court of Appeals for the First Circuit.

[June 1, 1943.]

Mr. Justice Frankfurter, dissenting.

Congress has power, of course, to authorize a suit arising under federal law to be brought in any of the federal district courts. *Robertson* v. *Labor Board*, 268 U. S. 619, 622. But from the beginning of the federal judicial system, Congress has provided that civil suits can be brought only in the district where the defendant is an inhabitant, except that where federal jurisdiction is based solely upon diversity of the parties' citizenship, suit may be brought in the district of the residence of either the plaintiff or the defendant. Section 51 of the Judicial Code, 28 U. S. C. § 112, derived from § 11 of the Judiciary Act of 1789, 1 Stat. 73, 79. Only in a very few classes of cases has Congress given a strictly limited right to sue elsewhere. *Robertson* v. *Labor Board, supra.* In § 4 of the Clayton Act of October 15, 1914, 38 Stat. 731, 15 U. S. C. § 15, the legislation immediately before us, suits are authorized to be brought "in any district court of the United States in the district in which the defendant resides or is found or has an agent. . . ." Similar provisions, permitting suit where the defendant is "found", appear in the Act of March 3, 1911, § 43, 36 Stat. 1087, 1100, 28 U. S. C. § 104 (suits for penalties and forfeitures), the Act of March 4, 1909, §35, 35 Stat. 1075, 1084, 17 U. S. C. § 35 (suits for copyright infringement), the Act of February 5, 1917, § 25, 39 Stat. 874, 893, 8 U. S. C. § 164 (suits under the immigration laws), the Act of May 27, 1933, tit. I, § 22, 48 Stat. 74, 86, 15 U. S. C. § 77v (suits under the Securities Act of 1933), and the Act of June 6, 1934, § 27, 48 Stat. 881, 902, 15 U. S. C. § 78aa, (suits under the Securities Exchange Act of 1934). In holding that the petitioner was "found" in the district of Massachusetts merely because he

had exercised his statutory right to remove a suit to the federal district court in Massachusetts, the Court, I cannot but conclude, is disregarding the venue requirements of the Clayton Act.

The respondent, a Massachusetts corporation, brought an action for breach of contract in the Superior Court of Essex County, Massachusetts against the petitioner, a resident of Ohio, by serving him personally while at a hotel in Boston. Since there was the requisite diversity of citizenship and jurisdictional amount, the petitioner appeared specially in the state court, removed the cause to the federal district court in Massachusetts, filed an answer and a counterclaim for damages, and moved for summary judgment under Rule 56(b) of the Federal Rules of Civil Procedure. Thereafter, on the day before the hearing on this motion, the respondent moved to amend its complaint by adding a cause of action for treble damages under § 4 of the Clayton Act. At that time the petitioner was no longer present in Massachusetts. The district court granted the petitioner's motion for summary judgment, and denied the respondent leave to amend its complaint. The reasons for the court's action appear in its opinion:

"This court has jurisdiction under the anti-trust laws over a nonresident only if he is found in the district or has an agent therein. 15 U. S. C. § 15. The defendant while in the Commonwealth was served with process in a common law action of contract. The plaintiff [respondent] obviously seeks to take advantage of this fact in order to obtain jurisdiction over the person in a suit involving a new and entirely different subject-matter, namely, the enforcement of rights arising under federal statutes. . . . It follows from the foregoing that if the plaintiff is allowed to add the cause of action alleged in its motion, the amended complaint would be subject to successful attack on jurisdictional grounds. . . . The motion is, therefore, denied without prejudice to plaintiff's right to seek redress by suit brought originally in the Federal court." 42 F. Supp. 938, 939.

As in *Camp* v. *Gress*, 250 U. S. 308, 311, therefore, the petitioner objected "not to the jurisdiction of a federal court, but to the jurisdiction over him of the court of the particular district; that is, the objection is to the venue." Such a use of the term "jurisdiction" in the sense of venue is by no means uncommon. See, *e. g.*, *Burnrite Coal Co.* v. *Riggs*, 274 U. S. 208, 211-12. Although the record contains no specific objection by the petitioner to the amendment of the complaint by adding the cause of action under the anti-trust laws, the opinion of the

district court recites that the parties "have now been heard upon this [respondent's] motion" to amend the complaint, and that the "question presented is whether this amendment should be allowed." 42 F. Supp. at 939. The petitioner's resistance to the entertainment by the district court of the proposed claim under the Clayton Act must mean that he objected to being sued in the federal district court in Massachusetts because he was not amenable to the process of that court, in other words, because that court was without venue.

In vacating the judgment of the district court, the Circuit Court of Appeals stated: "The fact that in all probability the plaintiff in the case at bar could not bring a separate action under the anti-trust laws against the defendant in the district court sitting in Massachusetts because the defendant could avoid the service of process upon him by remaining outside of the district cannot affect the jurisdiction of the court to allow the amendment. This is only a fact to be considered by the district court in exercising its discretionary power to allow or disallow the amendment. Since the court below did not exercise its discretionary power but ruled that it lacked jurisdiction to allow the amendment we must remand to that court for further proceedings." 131 F. 2d 190, 194-95. The Circuit Court of Appeals plainly did not regard the petitioner as having waived his objection to the "jurisdiction" or venue of the district court in Massachusetts. It placed its reversal of the district court on another ground, the correctness of which I shall consider later.

Nor can the petition for certiorari, read in its entirety, be construed as an abandonment of the petitioner's objection to the venue of the Massachusetts district court. True enough, the "only question presented" is stated to be "whether a plaintiff may amend his complaint in a removed action so as to state a new and independent cause of action against the defendant which is outside the State Court's jurisdiction." But the text of the petition makes it clear that the petitioner's "jurisdictional" objections included the claim that venue was not properly laid in the Massachusetts district court. On pages 16 and 17, for example, he states:

"The question of venue or jurisdiction of the person is not a matter lightly to be disregarded. It depends upon substantive law. The right of a person to be sued only in the district of which he is an inhabitant is carefully guarded by the general venue statute, Judicial Code, section 51. . . . Now, being 'found' is a

sporadic, temporary thing, very different from being 'an inhabitant.' The petitioner Freeman was 'found' at one particular time and subjected to suit on a cause of action in contract. . . . The original cause of action was removed to the District Court, but this did not make Freeman 'an inhabitant' so that he could be served at any time. The only way in which jurisdiction can be obtained of Freeman in this district for a cause of action under the Antitrust Laws is by having him 'found' here. This result cannot be secured by 'amending' an existing complaint, because it would not only violate the whole theory of venue, but it would be in direct violation of Rule 82 [of the Federal Rules of Civil Procedure], which is superior to Rule 15."

I quite agree with the Court that venue is a privilege that may be waived, that it "may be lost by failure to assert it seasonably". *Neirbo Co.* v. *Bethlehem Corp.*, 308 U. S. 165, 168. But the waiver must be actual, not fictitious. There must be a surrender, not resistance. No doubt a party who, having a valid objection to the venue of a suit, pleads to the merits instead of making objection waives his objection. *Panama R. R. Co.* v. *Johnson*, 264 U. S. 375, 385; *Burnrite Coal Co.* v. *Riggs*, 274 U. S. 208, 212. Here the petitioner answered the state suit before and not after the respondent sought to amend its complaint to add an exclusively federal cause of action under the anti-trust laws. His defense to the contract claim could not possibly waive any venue objections with respect to a claim subsequently made under the anti-trust laws. One cannot waive an objection which he cannot assert.

The Court relies upon Rules 15 and 18 of the Federal Rules of Civil Procedure, which establish liberal rules for the joinder of causes of action. But these Rules do not dispense with the requirements of venue. Rule 82 explicitly provides that "These rules shall not be construed to extend or limit the jurisdiction of the district courts of the United States or the venue of actions therein." Because causes of action could be joined, if properly brought, does not prove that they are properly brought. A liberal rule regarding joinder of actions does not eliminate the problems of suability created by the various venue provisions. The removal statute itself does not impliedly repeal the multitudinous venue restrictions imposed by Congress. And certainly Rules 15 and 18 did not do so, especially since Rule 82 contains a specific disavowal of such implications.

The provision of the removal statute that once a suit is removed, the district court shall "proceed therein as if the suit had been originally commenced in said district court", § 38 of the Judicial Code, 28 U. S. C. § 81, in no wise extends the jurisdiction or venue of the district court after removal. The provision means only that when a suit is removed to the federal courts, it shall be disposed of in the manner in which business is conducted there. The requirement of federal law that there be a unanimous verdict of the jury, for example, applies even to suits removed from a state court where a majority of eight can render a verdict. See *Minn. & St. Louis R. R.* v. *Bombolis*, 241 U. S. 211. Of course, therefore, the Federal Rules of Civil Procedure are equally applicable to suits removed to the federal courts. Rule 81(c). But the venue restrictions imposed by federal legislation and left undisturbed by the Rules are not eliminated merely because the suit is one which has been removed. The venue of the federal court is the same, whether the suit be originally instituted in or removed to the federal court. It certainly is not enlarged by the fact of removal.

Joinder is permissible only if the causes of action are properly in court, that is, if the requirements of venue as well as jurisdiction are satisfied. If these requirements are not met, an order of court directing joinder cannot dispense with them. The respondent here sought to add a cause of action for treble damages under § 4 of the Clayton Act—a cause of action over which the district court in Massachusetts could have venue only if the petitioner resided in Massachusetts, or was found there either in person or through an accredited agent. But at the time of the proposed amendment to the complaint seeking to add this claim, the petitioner was not a resident of Massachusetts nor can he be said to have been "found" there in any legitimate sense of the word. His only contact with Massachusetts was the fact that he was a defendant in an action for breach of contract brought in a Massachusetts state court and properly removed to the federal district court there. If the respondent had instituted a separate suit in Massachusetts against the petitioner under the anti-trust laws, neither the state court, *Blumenstock Bros.* v. *Curtis Pub. Co.*, 252 U. S. 436, 440, nor the federal court in Massachusetts could entertain the suit on the ground that the petitioner was "found" there merely because he was a defendant to the contract suit.

I know of no case which has construed the requirement of "found", as applied to a natural person, to mean anything less than actual physical presence. The *Neirbo* case is obviously without relevance here. The problem there was that of fitting a fictive personality into legal categories designed for natural persons. A corporation is never "found" anywhere except metaphorically. In recognition of this fact the *Neirbo* case held that when a corporation assents to the conditions governing the doing of business within a state, it is as much "found" there for purposes of federal law as for those of state law. But in the case of a natural person, he can be "found" not metaphorically but physically. And when a person is not actually physically present in a place, he is not, "so to speak", "found" there except in the world of Alice in Wonderland.

The case therefore reduces itself to this: if the petitioner had not removed the action for breach of contract to the federal court, he could not possibly be compelled to defend a suit under the anti-trust laws brought against him in Massachusetts. His mere exercise of the right of removal given him by Congress has resulted in his being made subject to suit in a place other than that specified by Congress in § 4 of the Clayton Act. This is to add to the removal privilege a condition of hardship which Congress itself has not imposed for the simple reason that it runs counter both to the underlying assumption of diversity jurisdiction and to the historic rule that the "jurisdiction of a district court *in personam* has been limited to the district of which the defendant is an inhabitant or in which he can be 'found'". *Robertson* v. *Labor Board*, 268 U. S. 619, 627. The Court invokes no policy of judicial administration which could warrant disregard of this long established legislative policy.

The derivative nature of removal jurisdiction, see *Minnesota* v. *United States*, 305 U. S. 382, 389, is not based upon technical rules of law. Congress deemed it fair and just that a nonresident who is being sued outside his state should be able to transfer the suit to a neutral federal court without losing or gaining any privileges by such transfer. The decision in this case turns an opportunity given by Congress to assure fairness and impartiality into a Hobson's choice. By removing a suit to the federal court a defendant is subjected to a liability—namely, to be sued in a district where he is neither a resident nor found, under a statute providing that he can be sued only where he is either

a resident or found—from which he would be free if he rems
in the state court. In other words, the right of removal is
tailed by depriving a defendant of territorial immunities
suit given by Congress in the enforcement of federal statutes,
sumably because it deemed place for suit important in a cou
having the dimensions of a continent.

Mr. Justice ROBERTS, Mr. Justice REED and Mr. Justice JAC
join in this dissent.